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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 2022**

### **HIGHLIGHTS**

For the period ended 30 June 2022

- Revenue: HK\$189.5 million (2021: HK\$276.1 million), 31% decrease
- Loss attributable to the shareholders of the Company: HK\$65.3 million (2021: Profit of HK\$65.6 million)
- Net asset value (“NAV”) and NAV per share of the Group attributable to the shareholders of the Company as at 30 June 2022: HK\$10,047.8 million and HK\$16.7 respectively#.

# *The NAV is calculated on the basis of the Group’s book NAV of HK\$4,984.0 million after adjusting hotel property (which is on cost basis in the book) to fair market value determined by an independent property valuer.*

\* For identification purpose only

## UNAUDITED RESULTS

The board of directors (the “**Board**”) of S E A Holdings Limited (the “**Company**”) announces the unaudited consolidated financial results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures of 2021.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4		
– Renting of investment properties		101,240	115,706
– Hotel operation		64,053	33,566
– Return from financial investment			
– Interest income and others		24,205	126,829
		<hr/>	<hr/>
Total revenue		189,498	276,101
Other income	5	3,266	7,907
Costs:			
Property and related costs	6	(2,012)	(2,625)
Staff costs		(44,207)	(41,727)
Depreciation and amortisation		(21,373)	(21,152)
Other expenses		(46,561)	(30,515)
		<hr/>	<hr/>
		(114,153)	(96,019)
Profit before fair value changes on investment properties, impairment loss and other gains and losses		78,611	187,989
Fair value changes on investment properties		104	72,322
		<hr/>	<hr/>
Profit after fair value changes on investment properties		78,715	260,311
Other gains and losses	7	68,798	24,823
Share of results of joint ventures		(4,887)	(10,567)
Impairment loss recognised on debt instruments at fair value through other comprehensive income	12	(93,143)	(103,236)
Finance costs	8	(105,588)	(97,950)
		<hr/>	<hr/>
(Loss) profit before taxation		(56,105)	73,381
Income tax expense	9	(9,157)	(7,754)
		<hr/>	<hr/>
(Loss) profit for the period		<u>(65,262)</u>	<u>65,627</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)*  
**For the six months ended 30 June 2022**

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2022</b>	2021
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
(Loss) profit for the period attributable to the Company's shareholders		<b><u>(65,262)</u></b>	<u>65,627</u>
		<b><i>HK cents</i></b>	<i>HK cents</i>
		<b>(unaudited)</b>	(unaudited)
Basic and diluted (loss) earnings per share attributable to the Company's shareholders	<i>11</i>	<b><u>(10.8)</u></b>	<u>10.3</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2022**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
(Loss) profit for the period		<u>(65,262)</u>	<u>65,627</u>
<b>Other comprehensive (expense) income:</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		(70,246)	28,024
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on debt instruments at fair value through other comprehensive income		(242,211)	(218,285)
Impairment loss recognised on debt instruments at fair value through other comprehensive income	12	93,143	103,236
Reclassification to profit or loss upon disposal of debt instruments at fair value through other comprehensive income		(10,631)	(10,652)
Exchange differences arising on translation of foreign operations		(157,249)	21,485
Share of other comprehensive expense of a joint venture		<u>(1,230)</u>	<u>–</u>
Other comprehensive expense for the period		<u>(388,424)</u>	<u>(76,192)</u>
Total comprehensive expense for the period attributable to the Company's shareholders		<u><u>(453,686)</u></u>	<u><u>(10,565)</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 30 June 2022**

		At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties		7,805,782	7,046,884
Property, plant and equipment		613,187	603,598
Investments in joint ventures		1,787,968	1,685,935
Equity instruments at fair value through other comprehensive income		192,029	262,021
Debt instruments at fair value through other comprehensive income		171,435	695,176
Financial assets at fair value through profit or loss		50,480	48,146
Trade and other receivables, deposits and prepayments	13	71,215	–
Pledged bank deposits		26,148	59,148
Other assets		6,749	6,779
		<u>10,724,993</u>	<u>10,407,687</u>
<b>Current assets</b>			
Inventories		1,617	1,700
Debt instruments at fair value through other comprehensive income		191,739	617,397
Trade and other receivables, deposits and prepayments	13	152,404	245,610
Pledged bank deposits		35,000	–
Bank balances and cash		2,492,344	2,685,034
		<u>2,873,104</u>	<u>3,549,741</u>
Assets classified as held for sale	15	–	412,519
		<u>2,873,104</u>	<u>3,962,260</u>
<b>Current liabilities</b>			
Payables, rental deposits and accrued charges	14	131,387	243,983
Tax liabilities		34,723	36,895
Lease liabilities		11,804	6,633
Guaranteed notes		1,150,109	–
Bank borrowings – due within one year		1,450,223	1,278,785
		<u>2,778,246</u>	<u>1,566,296</u>
Liabilities associated with assets classified as held for sale	15	–	160,491
		<u>2,778,246</u>	<u>1,726,787</u>
<b>Net current assets</b>		<u>94,858</u>	<u>2,235,473</u>
<b>Total assets less current liabilities</b>		<u><u>10,819,851</u></u>	<u><u>12,643,160</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(Continued)*  
**At 30 June 2022**

	<i>Note</i>	At <b>30 June 2022</b> <i>HK\$'000</i> <b>(unaudited)</b>	At 31 December 2021 <i>HK\$'000</i> <b>(audited)</b>
<b>Capital and reserves</b>			
Share capital		<b>60,212</b>	60,212
Reserves		<b>4,923,783</b>	5,395,533
<b>Total equity</b>		<b>4,983,995</b>	5,455,745
<b>Non-current liabilities</b>			
Payables, rental deposits and accrued charges	<i>14</i>	<b>69,511</b>	3,985
Lease liabilities		<b>179,538</b>	178,575
Bank borrowings – due after one year		<b>5,566,244</b>	5,835,022
Guaranteed notes		–	1,149,340
Deferred taxation		<b>20,563</b>	20,493
		<b>5,835,856</b>	7,187,415
<b>Total equity and non-current liabilities</b>		<b>10,819,851</b>	12,643,160

*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 on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

**Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

### 2.1. Impacts and changes in accounting policies on application of Amendments to *HKFRS 3* Reference to the Conceptual Framework

#### 2.1.1 *Accounting policy*

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “**Conceptual Framework**”) except for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC) – Int 21 Levies, in which the Group applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

#### 2.1.2 *Transition and summary of effects*

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“**CODM**”), for the purposes of resource allocation and assessment of segment performance is mainly focused on the property development, property investment, hotel operation and financial investment.

The property investment segment includes a number of various property locations. Each location is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as property investment provide the same nature of income with the same recognition criteria.

The financial investment segment includes interest revenue from time deposits and investment income from listed and unlisted investments.

It is the Group’s strategy to make financial investment, particularly fixed income debt securities, from time to time in order to generate stable financial investment income for the Group.

Share of results of joint ventures were included in the segment of “unallocated” in prior periods. In the current interim period, as the directors of the Company consider it more appropriate to classify share of results of joint ventures within “property development” in view of its nature and thus related share of results of joint ventures are included in the segment of “property development” for the current interim period. The comparative information has been restated to conform to current interim period’s presentation.



### 3. SEGMENT INFORMATION (Continued)

#### Segment revenues and results

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

#### For the six months ended 30 June 2022 (unaudited)

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>					
External revenue	–	101,240	64,053	24,205	189,498
<b>SEGMENT RESULTS</b>					
Segment profit (loss)	45,917	85,196	4,877	(58,702)	77,288
Unallocated interest income					503
Corporate expenses					(25,849)
Share of result of a joint venture					(2,459)
Finance costs					(105,588)
Loss before taxation					(56,105)

#### For the six months ended 30 June 2021 (unaudited)

	Property development <i>HK\$'000</i> (restated)	Property investment <i>HK\$'000</i>	Hotel operation <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (restated)
<b>SEGMENT REVENUE</b>					
External revenue	–	115,706	33,566	126,829	276,101
<b>SEGMENT RESULTS</b>					
Segment (loss) profit	(10,046)	182,330	(15,859)	42,956	199,381
Unallocated interest income					19
Corporate expenses					(26,204)
Share of result of a joint venture					(1,865)
Finance costs					(97,950)
Profit before taxation					73,381

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

#### Segment revenues and results *(Continued)*

Segment profit of the property investment division for the six months ended 30 June 2022 included an increase in fair value of investment properties of HK\$104,000 (six months ended 30 June 2021: HK\$72,322,000).

Segment profit of the property development division for the six months ended 30 June 2022 included an amortisation of discount on acquisition of additional investment in joint ventures of HK\$49,674,000 (for the six months ended 30 June 2021: HK\$nil).

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

The Group does not allocate interest income generated from bank deposits, corporate expenses, share of results of joint ventures and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the CODM.

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

### 4. REVENUE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Renting of investment properties <i>(note i)</i>	101,240	115,706
Hotel operation <i>(note ii)</i>	64,053	33,566
Return from financial investment		
– interest income and others <i>(note iii)</i>	24,205	126,829
	<u>189,498</u>	<u>276,101</u>

#### Notes:

- i. Included in revenue generated from renting of investment properties, HK\$101,240,000 (six months ended 30 June 2021: HK\$114,532,000) is rental income from leasing of investment properties under operating leases in which the lease payments are fixed. No rental income from leasing of investment properties under operating leases in which the lease payments depend on an index or a certain rate is generated for both periods.
- ii. For the six months ended 30 June 2022, revenue from hotel operation, which arose from contracts with customers comprises of (i) hotel room revenue of HK\$42,404,000 (six months ended 30 June 2021: HK\$14,656,000) being recognised over time and based on output method; (ii) food and beverage sales of HK\$17,584,000 (six months ended 30 June 2021: HK\$14,378,000) and ancillary service of HK\$851,000 (six months ended 30 June 2021: HK\$320,000) being recognised at point in time. The remaining revenue of HK\$3,214,000 (six months ended 30 June 2021: HK\$4,212,000) is rental income from leasing of hotel's retail portion under operating leases in which the lease payments are fixed.
- iii. Interest income and others includes interest income from listed debt securities and time deposits of HK\$21,242,000 (six months ended 30 June 2021: HK\$123,688,000) and dividend income from listed equity securities of HK\$2,963,000 (six months ended 30 June 2021: HK\$3,141,000).

## 5. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest income from bank deposits	503	19
Government grants	1,743	2,350
Others	1,020	5,538
	<u>3,266</u>	<u>7,907</u>

For the six months ended 30 June 2022, the Group recognised government grants of HK\$1,743,000 (six months ended 30 June 2021: HK\$2,350,000) from Employment Support Scheme, Club-house Subsidy Scheme, Catering Business Subsidy Scheme, Designated Quarantine Hotel Scheme and Hotel Sector Support Scheme under Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region.

## 6. PROPERTY AND RELATED COSTS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Selling and marketing expenses	255	319
Direct operating expenses on investment properties	1,757	2,306
	<u>2,012</u>	<u>2,625</u>

## 7. OTHER GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net exchange gain	8,433	4,513
Gain on disposal of debt instruments at fair value through other comprehensive income	10,631	10,652
Fair value gain on financial assets at fair value through profit or loss	–	9,658
Gain on early redemption of guaranteed notes	60	–
Amortisation of discount on acquisition of additional investment in joint ventures ( <i>note</i> )	49,674	–
	<u>68,798</u>	<u>24,823</u>

*Note:* In December 2021, the Group acquired additional interest in one of the joint venture partners. The relevant consideration paid by the Group amounted to approximately HK\$412,520,000, with a discount of HK\$158,896,000. During the six months ended 30 June 2022, amortisation of discount on additional investment in joint ventures HK\$49,674,000 (for the six months ended 30 June 2021: HK\$nil) has been recognised in the profit or loss.

## 8. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Bank borrowings:		
Interest on bank borrowings	58,278	57,648
Amortisation of bank borrowings front-end fee	10,948	7,581
	<u>69,226</u>	<u>65,229</u>
Guaranteed notes:		
Interest on guaranteed notes	27,820	28,149
Amortisation of guaranteed notes issue costs	763	1,112
	<u>28,583</u>	<u>29,261</u>
Lease liabilities:		
Interest on lease liabilities	2,729	3,022
Other charges	5,050	438
	<u>105,588</u>	<u>97,950</u>

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	–	805
Australia	–	1,942
The United Kingdom	7,076	5,740
	<u>7,076</u>	<u>8,487</u>
Deferred tax:		
Current year	2,081	(733)
	<u>9,157</u>	<u>7,754</u>

## 10. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Dividends recognised as a distribution during the period:		
Final dividend for the year ended 31 December 2021 of HK3 cents per share (2021: final dividend for the year ended 31 December 2020 of HK3 cents per share)	<b>18,064</b>	19,219

Subsequent to the end of the current interim period, the directors of the Company have declared that an interim dividend of HK2 cents per share amounting to HK\$12,042,000 in aggregate (six months ended 30 June 2021: HK2 cents per share amounting to HK\$12,042,000 in aggregate) will be paid to the shareholders of the Company whose names appear on the register of members of the Company on 27 September 2022.

## 11. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to the Company's shareholders	<b>(65,262)</b>	65,627
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(unaudited)</b>	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<b>602,122,726</b>	636,708,825

**11. (LOSS) EARNINGS PER SHARE (Continued)**

As the Group incurred loss for the six months ended 30 June 2022 and their inclusion would be anti-dilutive, the potential ordinary shares were not included in the calculation of dilutive loss per share. Accordingly, dilutive loss per share for the six months ended 30 June 2022 is the same as basic loss per share.

For the six months ended 30 June 2021, the computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of these share options is higher than the average market price for the shares.

**12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Impairment loss recognised on debt instruments at fair value through other comprehensive income	<b>93,143</b>	103,236

For the six months ended 30 June 2022, the Group provided impairment allowance of HK\$93,143,000 (2021: HK\$103,236,000) for debt securities due to the deterioration of credit quality of respective securities issued by PRC property developers.

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
Trade receivables ( <i>note i</i> )	1,968	954
Accrued income	–	104
Deposit paid for acquisition of properties ( <i>note ii</i> )	198,723	196,972
Deposits, prepayments and other receivables	22,928	47,580
	<u>223,619</u>	<u>245,610</u>
<b>Analysed for reporting purposes as:</b>		
Current assets	152,404	245,610
Non-current assets	71,215	–
	<u>223,619</u>	<u>245,610</u>

*Notes:*

- i. Trade receivables from corporate customers and travel agents for the use of hotel facilities as well as the tenants for leasing of investment properties.
- ii. In 2021, the Group had entered into sales and purchase agreements with several individuals in relation to the acquisition of a property at Jardine's Lookout, Hong Kong ("**Property**"), in which the Group intended to redevelop the Property into low-density luxury residence. Upon signing of the sales and purchase agreements, the Group paid an initial deposit of HK\$48,418,000 and stamp duties of HK\$148,554,000. As at 30 June 2022, the Group decided to hold the Property as a long term investment for lease purpose and thus the deposits, non-refundable stamp duties and professional fees of HK\$71,215,000 paid for acquisition of property are classified as non-current assets. The remaining portion of deposit represented a refundable stamp duty of HK\$127,508,000 is classified as current assets. The acquisition was completed on 2 August 2022.

The Group allows an average credit period of 0 to 30 days to its corporate customers and travel agents in hotel operation as well as tenants for leasing of investment properties.

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
0 to 30 days	1,233	912
31 to 60 days	474	42
61 to 90 days	149	–
91 to 120 days	112	–
	<u>1,968</u>	<u>954</u>

### 14. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

The following is an aged analysis of trade payable presented based on the invoice date.

	At 30 June 2022 <i>HK\$'000</i> (unaudited)	At 31 December 2021 <i>HK\$'000</i> (audited)
0 to 60 days	<u>1,078</u>	<u>1,078</u>
Trade payables	1,078	1,078
Rental deposits	8,333	8,491
Rental received in advance	39,864	43,872
Other payables, other deposits and accrued charges	122,914	166,229
Interest payables	28,709	28,298
	<u>200,898</u>	<u>247,968</u>
<b>Analysed for reporting purposes as:</b>		
Current liabilities	131,387	243,983
Non-current liabilities	69,511	3,985
	<u>200,898</u>	<u>247,968</u>

The average credit period on purchase of goods is 60 days.

As at 30 June 2022, rental deposits to be refunded after twelve months from end of the current interim period based on the respective lease terms amounted to HK\$4,271,000 (31 December 2021: HK\$3,985,000).



## 15. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 19 July 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Green Charm Global Limited and its subsidiary that held an investment property in Hong Kong to A & B Introductory Services Inc., a company incorporated in the British Virgin Islands with a purchaser's guarantor of Ms. Lau Sau Han Eliza, an independent third party. The transaction was completed on 15 March 2022.

On 27 July 2021, the Group entered into a sale and purchase agreement to dispose of its 100% equity interests in Glorious Creation Limited and its subsidiary that held an investment property in Hong Kong to Vibrant Colour Holdings Limited, a company incorporated in the British Virgin Islands with a purchaser's guarantor of Rykadan Capital Limited (the shares of which are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited), an independent third party. The transaction was completed on 27 January 2022.

The consolidated assets and liabilities of Green Charm Global Limited and Glorious Creation Limited, which are expected to be sold within twelve months, have been classified as assets and liabilities held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2021 as below. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

As at 31 December 2021, the consolidated assets and liabilities of Green Charm Global Limited and Glorious Creation Limited classified as held for sale are as follows:

	At 31 December 2021 HK\$'000
Investment properties	408,000
Pledged bank deposits	1,122
Trade receivables, deposits and prepayments	148
Bank balances and cash	3,249
Assets classified as held for sale	<u>412,519</u>
Other payables	303
Bank borrowings – due after one year	160,188
Liabilities associated with assets classified as held for sale	<u>160,491</u>

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK2 cents (for the six months ended 30 June 2021: HK2 cents) per share for the six months ended 30 June 2022 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 27 September 2022. The relevant dividend warrants are expected to be despatched on or before Friday, 14 October 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 23 September 2022 to Tuesday, 27 September 2022 (both days inclusive) during which 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 Registrar in Hong Kong, Tricor Standard Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 22 September 2022.

## **DISCUSSION AND ANALYSIS**

### **Financial Summary**

Revenue for the six months ended 30 June 2022 amounted to HK\$189.5 million (2021: HK\$276.1 million). The revenue was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and income from financial investment.

Loss for the six months ended 30 June 2022 amounted to HK\$65.3 million (2021: Profit of HK\$65.6 million). The decrease in current period was mainly due to decrease in return from financial investment and decrease in fair value surplus on investment properties.

Loss attributable to the Company's shareholders for the six months ended 30 June 2022 amounted to HK\$65.3 million (2021: Profit of HK\$65.6 million), equivalent to a basic loss per share of HK10.8 cents (2021: earnings per share of HK10.3 cents).

As at 30 June 2022, the Group's equity attributable to the Company's shareholders amounted to HK\$4,984.0 million (31 December 2021: HK\$5,455.7 million). The net asset value per share attributable to the Company's shareholders as at 30 June 2022 was HK\$8.3 as compared with HK\$9.1 as at 31 December 2021.

The Group's property assets (including interest in a joint venture) by geographical location at the period end were as follows:

	<b>30 June 2022</b> <i>HK\$' million</i>	31 December 2021 <i>HK\$' million</i>
Hong Kong	<b>5,866.4</b>	4,964.8
The United Kingdom	<b>4,231.2</b>	4,663.3
Total	<b><u>10,097.6</u></b>	<b><u>9,628.1</u></b>

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK\$536.2 million (31 December 2021: HK\$546.2 million), whereas the market value as at 30 June 2022 as determined by valuation carried out by an independent property valuer is HK\$5,600.0 million (31 December 2021: HK\$5,600.0 million). For the purpose of providing supplementary information, if the carrying value of the Group's hotel property was restated to its market value as at 30 June 2022, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Company's shareholders would be HK\$15,161.4 million (31 December 2021: HK\$14,681.9 million), HK\$10,047.8 million (31 December 2021: HK\$10,509.5 million) and HK\$16.7 (31 December 2021: HK\$17.5) respectively.

## **Business Review**

### ***Property Investment and Development***

The Group continues to focus on property development and property investment projects. The strategy of the Group will be determined by the Board taking into consideration market opportunities, the Group's financial resources and its core competence. It is the Group's approach to review and optimize the project portfolios from time to time. Currently, the Group's core projects mainly consist of three residential projects in Hong Kong (No. 1 Shouson Hill Road East, Lot No. 1203 South Bay Road, Repulse Bay and Inland Lot. 7384 Jardine's Lookout), a commercial property in Hong Kong (a portion of Winway Building) and a joint venture residential development project "Grand Victoria" at West Kowloon Waterfront in Hong Kong, and two investment properties in London, the United Kingdom (20 Moorgate and 33 Old Broad Street).

## *Hong Kong*

During the period, the Group continues our effort in the residential development project in West Kowloon Waterfront “Grand Victoria”<sup>1</sup>. In December 2021, the Group further acquired 4.5% equity interest in the project at an aggregate cash consideration of HK\$413 million, resulting increase in the Company interests in the project from 10% to 14.5%. Superstructure work is in progress as scheduled and the development is expected to be completed by 2023. Pre-sale of the residential units has been launched in March 2021. More than 785 units of the project have been sold with total sale proceeds of nearly HK\$11.3 billion.

Winway Building<sup>2</sup>, one of the Group’s investment properties, is at the prime location of central business district of Hong Kong and is a high quality commercial property. The rental income generated from the property for the period ended 30 June 2022 was slightly increased as compared with previous period primarily due to rising in COVID vaccination rate which help restore the economic stability during the period. As at 30 June 2022, the occupancy rate was 96% (30 June 2021: 100%).

The Group owns a residential properties project at Shouson Hill Road East. Parts of the renovation works were completed during the period with remaining works to be completed in 2022 by phases. Disposal of two houses to independent third parties at an aggregate consideration of approximately HK\$408.0 million were completed in first quarter of 2022. The disposal provides an attractive opportunity to realise the Group’s long-term investment in the project and realise a cash amount of approximately HK\$245.6 million (after repayment of the existing bank loan) for future reinvestment.

The demand for luxury house continues to show resilience amid limited new supply. In October 2021, the Group entered into several agreements with independent third parties to acquire the properties located at Jardine’s Lookout at No. 89–93 Tai Hang Road, Hong Kong a traditional luxury residential area. The acquisition is completed in August 2022. The site will be redeveloped into low density luxury residence for long term investment.

In the luxury housing market, buying sentiment improved slightly in the second quarter of 2022 and a number of record-breaking prices for luxury residential were recorded. During the period, the Group won a tender from the Lands Department of the Government of Hong Kong with total gross floor area of approximately 19,055 sq.ft. for Rural Building Lot 1203 situated at South Bay Road, Repulse Bay, Hong Kong at the land premium of HK\$1,188.2 million. The Group intends to develop the land into a luxury residential development as a long term investment for rental purpose.

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1 The Group is being a part of the consortium comprised of well-known property developers.

2 The Group owns approximately 59% of the gross floor area of Winway Building.

## *The United Kingdom*

The Group owns two investment properties located in the heart of London in the United Kingdom.

20 Moorgate, London is almost fully let to the Prudential Regulatory Authority (a regulatory body of the Bank of England) as a headquarter under long-term lease agreements.

33 Old Broad Street, London is fully leased to Bank of Scotland as their London Headquarter and guaranteed by HBOS Plc (a wholly owned subsidiary of the Lloyds Banking Group) for a fixed term until 2039 with fixed uplift every five years on rental.

Despite of the COVID-19 pandemic in the United Kingdom and world economy uncertainties, the Group did not have any rent arrear from the above tenants in the United Kingdom, reflecting the Group's success in making investment strategy and the Group's capability to withstand in any market instability.

## ***Hotel Operation***

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is operated under the brand of Crowne Plaza of the InterContinental Hotels Group. In spite of Hong Kong hospitality market continued to be negatively affected by stringent travel restrictions and border closures, the hotel revenue for the period ended 30 June 2022 had improvement, which was HK\$64.1 million (2021: HK\$33.6 million), increased by approximately 91%. This was the result from room revenue from joining the Designated Quarantine Hotel Scheme. Governments across the world have started to reduce travelling restrictions and Hong Kong has taken steps to reopening its borders to international visitors in the second quarter of 2022 which led to the increase in demand of quarantine hotel.

The Group is taking all practicable measures to cope with the challenges. We prioritize in delivering feeling of safety to our guests, putting in place strict sanitisation and hygiene protocol. At the same time, the hotel will strive to implement cost saving measures and take decisive decisions to reduce operating costs in this challenging time to gain further market share. The Group will continue to improve the quality of its hotel services to ensure our guests have enjoyable experiences during their stays in our hotel.

## ***Financial Investment***

Adhering to prudent management of our capital, the Group continues to optimize its capital structure and prioritise access to ample liquidity under the low interest rate environment. As at 30 June 2022, the Group held financial investment of approximately HK\$605.7 million (31 December 2021: HK\$1,622.7 million), which are comprised of listed equity and debt securities and unlisted investments.

During the period, the Group recorded an unrealised loss of HK\$93.1 million mainly representing impairment loss on debt securities investments. The above mentioned impairment loss is a non-cash item and has no immediate impact on the cash flow of the Group.

## Financial Resources and Liquidity

### *Working Capital and Loan Facilities*

As at 30 June 2022, the Group's total pledged bank deposits, bank balances and cash was HK\$2,553.5 million (31 December 2021: HK\$2,748.6 million), total financial investments (including debt instruments at fair value through other comprehensive income, financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income) were HK\$605.7 million (31 December 2021: HK\$1,622.7 million) and unutilised facilities were HK\$3,984.9 million (31 December 2021: HK\$5,053.0 million).

As at 30 June 2022, the Group's bank borrowings was HK\$7,016.5 million (31 December 2021: HK\$7,274.0 million) and the guaranteed notes was HK\$1,150.1 million (31 December 2021: HK\$1,149.3 million). After netting off the bank balance, cash and the financial investments, the Group had a net debt position of HK\$5,007.4 million (31 December 2021: HK\$4,052.0 million) with gearing ratio of 33.0 % (31 December 2021: 27.6 %) (calculated on the basis of net debt as a percentage of the adjusted total property assets with hotel property adjusted to fair market value of HK\$5,600.0 million (31 December 2021: HK\$5,600.0 million)).

As at 30 June 2022, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	<b>30 June 2022</b> <i>HK\$' million</i>	31 December 2021 <i>HK\$' million</i>
Due		
Within 1 year	<b>2,619.0</b>	1,288.0
1-2 years	<b>51.5</b>	1,203.1
3-5 years	<b>3,938.4</b>	4,224.6
Over 5 years	<b>1,614.2</b>	1,779.0
	<b>8,223.1</b>	8,494.7
Less: Unamortised front-end fee and notes issued expenses	<b>(56.5)</b>	(71.4)
	<b>8,166.6</b>	8,423.3

### *Pledge of Assets*

For the Company's subsidiaries operating in Hong Kong, the total bank borrowings drawn as at 30 June 2022 amounted to HK\$4,495.2 million (31 December 2021: HK\$4,503.4 million) which comprised of secured bank borrowings of HK\$2,715.1 million (31 December 2021: HK\$3,651.4 million) and unsecured bank borrowings of HK\$1,780.1 million (31 December 2021: HK\$852.0 million). The secured bank borrowings were secured by properties valued at HK\$2,916.2 million (31 December 2021: HK\$3,331.2 million), listed debt securities of HK\$194.8 million (31 December 2021: HK\$1,312.6 million) and pledged cash of HK\$26.1 million (31 December 2021: HK\$25.3 million).

Subsidiaries of the Company operating in the United Kingdom pledged its investment properties with an aggregate carrying value of HK\$4,231.2 million as at 30 June 2022 (31 December 2021: HK\$4,663.3 million) to secure bank borrowings of HK\$2,576.6 million (31 December 2021: HK\$2,839.7 million).

### Treasury Policies

The Group adheres to prudent treasury policies. As at 30 June 2022, all of the Group's borrowings except the guaranteed notes were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

### **Staff and Emolument Policy**

As at 30 June 2022, the Group had a total of 162 employees (2021: 159 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$44.2 million for the period ended 30 June 2022 (2021: HK\$41.7 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**

Global economic growth slowed in the first half of 2022. Slowdown in China was sharper than anticipated. The war in Ukraine and the issues over Taiwan, especially after the United States House Speaker Nancy Pelosi's visit to Taiwan, have driven deglobalisation causing disruption of global supply chains, alongside fuel and food shortages. Consequently, energy and raw material prices rose sharply. Global inflation was higher than expected. An already sluggish economy has further been hit. It is expected that inflation and interest rate will increase in the near term. All of these risks make the current outlook extremely uncertain.

The biggest wave of COVID-19 in two years has disrupted growth normalization in China. Shanghai, one of the world's major supply chain hubs, went into a strict lockdown in April 2022, forcing a halt to economic activity across the city for about eight weeks. Moreover, there are growing concerns about potential debt defaults by property developers. Home sales and home sales price are likely to drop significantly. Property developers' cashflow and liquidity may be deteriorated further. Bondholders, banks and suppliers worry that the property developers will not be able to repay their debts. Homebuyers may stop making mortgage payments because property developers fail to complete home construction. Apart from these, strained U.S.-China relations and China-Taiwan relations pose risks to the economy. China's economy will be in a fragile state in the short term.

The United Kingdom economy is now facing headwinds due to the persistent inflationary pressures and sluggish growth. The Ukrainian war broke out when the United Kingdom began to recover from COVID-19. Inflation rose markedly, consumer confidence fell further and business sentiment weakened amid persistent labor and supply shortages and stubbornly high energy prices. The British Chambers of Commerce has cut its 2022 United Kingdom GDP growth forecast to 3.5% from 3.6% and forecasted the United Kingdom inflation to hit 10% in the fourth quarter of 2022. The economic outlook is expected to deteriorate as heightened economic uncertainty and rising costs will significantly dampen business investment sentiment. We concern about the possibility of a recession in the United Kingdom.

In Hong Kong, the economy lost momentum in the first half of 2022 as the fifth wave of COVID-19 infections broke out. The imposition of strict social distancing restrictions and border closures have put pressure on the local economic activities. The economy deteriorated markedly in the first quarter of 2022, with real GDP contracting by 4.0% year-on-year. Though the outbreak of the fifth wave was largely contained and economic activities have been normalized to some extent in the latter part of the second quarter of 2022, the economy in the second quarter of 2022 was not as strong as expected. As border with the Mainland has not yet reopened, the local economy will inevitably continue to face severe challenges. Hence, we expect a gloomy outlook for Hong Kong's economy for the rest of the year.

The residential property market remained weak in the first quarter of this year. Sales picked up in the second quarter after social distancing measures were eased in April 2022. In the luxury market in particular, buying sentiment improved slightly in the second quarter, with multiple record-breaking luxury home prices recorded. Still, the number of sales transactions fell sharply in July on the back of the rate hike. Investors are becoming more conservative when buying property. The Hong Kong property market is expected to remain under pressure for the remainder of 2022.

The hotel industry in Hong Kong was hit hard in the first quarter of 2022 by the city's worst COVID-19 outbreak, continued strict restrictions on inbound travellers, and strict local social distancing requirements. Mainland tourists have fallen to extremely low levels. Only 11,500 tourists visited in the first quarter, 0.1% of the pre-recession level of 18 million in the first quarter of 2019. As a result, average hotel room occupancy fell from 71% in the fourth quarter of 2021 to 57% in the first quarter of 2022, just 5% above the low level of 52% a year earlier. Occupancy rates improved as some Hong Kong travel restrictions were gradually lifted in light of the improved coronavirus situation in the latter part of the second quarter of 2022. However, until the fifth wave of the epidemic is well controlled as well as inbound and outbound traffic return to normal, the outlook for the hotel industry is not optimistic. We expect the hospitality market will be back to normal after the reopening of the border with the Mainland.

Against the backdrop of the above-mentioned challenging macroeconomic environment, the Group will take all reasonable measures to improve resource utilization efficiency and control costs. Meanwhile, the Group will continue to maintain a healthy financial and liquidity position, and develop a more robust and flexible business model to meet future challenges. In its long history, the Group has witnessed economic turmoil and social unrest in Hong Kong and the world. Over the years, the Group has weathered these storms with ease. We are confident that the Group will weather the current market instability and grow as opportunities arise.



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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

## **CORPORATE GOVERNANCE PRACTICES**

During the period for the six months ended 30 June 2022, the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 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 2022 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 websites of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.seagroup.com.hk](http://www.seagroup.com.hk)) in September 2022.

By Order of the Board  
**S E A Holdings Limited**  
**Lu Wing Chi, Jesse**  
*Chairman*

Hong Kong, 26 August 2022

The directors of the Company as at the date of this announcement are:

*Executive Directors:*

Mr. Lu Wing Chi, Jesse (*Chairman*)  
Mr. Lambert Lu (*Chief Executive*)  
Mr. Yap Shee Liam (*Chief Financial Officer*)

*Independent Non-executive Directors:*

Mr. Walujo Santoso, Wally  
Mr. Chung Pui Lam  
Mr. Chan Kwok Wai  
Mr. Lo Wai Tung Welman