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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

For the period ended 30 June 2021

- Revenue: HK\$276.1 million (2020: HK\$315.1 million), 12% decrease
- Profit attributable to the shareholders of the Company: HK\$65.6 million (2020: HK\$56.0 million), 17% increase
- Net asset value (“NAV”) and NAV per share of the Group attributable to the shareholders of the Company as at 30 June 2021: HK\$10,912.5 million and HK\$18.1 respectively[#].

[#] *The NAV is calculated on the basis of the Group’s book NAV of HK\$5,868.7 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 2021 together with the comparative figures of 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4		
— Renting of investment properties		115,706	104,210
— Hotel operation		33,566	21,420
— Return from financial investment			
— Interest income and others		126,829	189,515
Total revenue		276,101	315,145
Other income	5	7,907	2,023
Costs:			
Property and related costs	6	(2,625)	(2,639)
Staff costs		(41,727)	(38,888)
Depreciation and amortisation		(21,152)	(18,468)
Other expenses		(30,515)	(30,105)
		(96,019)	(90,100)
Profit before fair value changes on investment properties, impairment loss and other gains and losses		187,989	227,068
Fair value changes on investment properties		72,322	39,191
Profit after fair value changes on investment properties		260,311	266,259
Other gains and losses	7	24,823	(32,053)
Share of results of joint ventures		(10,567)	(28)
Impairment loss recognised on listed debt instruments at fair value through other comprehensive income	12	(103,236)	—
Finance costs	8	(97,950)	(162,923)
Profit before taxation		73,381	71,255
Income tax expense	9	(7,754)	(15,300)
Profit for the period		65,627	55,955

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period attributable to the Company's shareholders		<u>65,627</u>	<u>55,955</u>
		HK cents	HK cents
		(unaudited)	(unaudited)
Basic and diluted earnings per share for profit attributable to the Company's shareholders	<i>11</i>	<u>10.3</u>	<u>8.4</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period		<u>65,627</u>	<u>55,955</u>
Other comprehensive income (expense):			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain on equity instrument at fair value through other comprehensive income		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		(218,285)	(99,910)
Impairment loss recognised on listed debt instruments at fair value through other comprehensive income	12	103,236	–
Reclassification to profit or loss upon early redemption of debt instruments at fair value through other comprehensive income		(10,652)	–
Reclassification to profit or loss upon disposal of debt instruments at fair value through other comprehensive income		–	24,530
Exchange differences arising on translation of foreign operations		<u>21,485</u>	<u>(86,037)</u>
Other comprehensive expense for the period		<u>(76,192)</u>	<u>(161,417)</u>
Total comprehensive expense for the period attributable to the Company's shareholders		<u>(10,565)</u>	<u>(105,462)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021

	<i>Notes</i>	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Non-current assets			
Investment properties		7,475,714	7,338,649
Property, plant and equipment		620,862	615,936
Investments in joint ventures		1,242,650	1,169,992
Equity instruments at fair value through other comprehensive income		573,908	431,485
Debt instruments at fair value through other comprehensive income		1,967,412	3,073,053
Financial assets at fair value through profit or loss		34,069	20,874
Pledged bank deposits		16,900	–
Other assets		6,809	6,839
		<u>11,938,324</u>	<u>12,656,828</u>
Current assets			
Inventories		1,226	941
Debt instruments at fair value through other comprehensive income		968,978	806,575
Financial assets at fair value through profit or loss		–	80,309
Trade and other receivables, deposits and prepayments	13	13,422	32,794
Tax recoverable		6	7
Pledged bank deposits		6,000	29,768
Bank balances and cash		3,495,528	3,354,456
		<u>4,485,160</u>	<u>4,304,850</u>
Current liabilities			
Payables, rental deposits and accrued charges	14	206,748	153,344
Bank borrowings — due within one year		3,290,851	3,511,586
Lease liabilities		11,968	12,901
Tax liabilities		27,215	28,123
		<u>3,536,782</u>	<u>3,705,954</u>
Net current assets		<u>948,378</u>	<u>598,896</u>
Total assets less current liabilities		<u>12,886,702</u>	<u>13,255,724</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 30 June 2021

		At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Capital and reserves			
Share capital		60,212	64,224
Reserves		<u>5,808,450</u>	<u>6,176,381</u>
Total equity		<u>5,868,662</u>	<u>6,240,605</u>
Non-current liabilities			
Payables, rental deposits and accrued charges	<i>14</i>	4,918	–
Lease liabilities		183,728	190,911
Bank borrowings — due after one year		5,614,573	5,611,388
Guaranteed notes		1,161,515	1,158,222
Deferred taxation		<u>53,306</u>	<u>54,598</u>
		<u>7,018,040</u>	<u>7,015,119</u>
Total equity and non-current liabilities		<u><u>12,886,702</u></u>	<u><u>13,255,724</u></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 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, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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 accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform — Phase 2”

2.1.1 *Accounting policies*

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

2.1.2 *Transitions and summary of effects*

As at 1 January 2021 and 30 June 2021, the Group has several financial liabilities with aggregate carrying amounts of HK\$4,072,396,000 and HK\$4,205,682,000 respectively, of which the interest is indexed to benchmark rate of London Interbank Offered Rate that will or may be subject to interest rate benchmark reform.

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

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.

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 2021 (unaudited)

	Property development	Property investment	Hotel operation	Financial investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SEGMENT REVENUE					
External revenue	<u>–</u>	<u>115,706</u>	<u>33,566</u>	<u>126,829</u>	<u>276,101</u>
SEGMENT RESULTS					
Segment (loss) profit	<u>(1,344)</u>	<u>182,330</u>	<u>(15,859)</u>	<u>42,956</u>	208,083
Unallocated interest income					19
Corporate expenses					(26,204)
Share of results of joint ventures					(10,567)
Finance costs					<u>(97,950)</u>
Profit before taxation					<u>73,381</u>

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2020 (unaudited)

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External revenue	<u>–</u>	<u>104,210</u>	<u>21,420</u>	<u>189,515</u>	<u>315,145</u>
SEGMENT RESULTS					
Segment profit (loss)	<u>(1,340)</u>	<u>136,872</u>	<u>(17,985)</u>	<u>164,248</u>	281,795
Unallocated interest income					177
Corporate expenses					(47,766)
Share of result of a joint venture					(28)
Finance costs					<u>(162,923)</u>
Profit before taxation					<u>71,255</u>

Segment profit of the property investment division for the six months ended 30 June 2021 included an increase in fair value of investment properties of HK\$72,322,000 (six months ended 30 June 2020: HK\$39,191,000).

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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Renting of investment properties (<i>note i</i>)	115,706	104,210
Hotel operation (<i>note ii</i>)	33,566	21,420
Return from financial investment — interest income and others (<i>note iii</i>)	<u>126,829</u>	<u>189,515</u>
	<u>276,101</u>	<u>315,145</u>

Notes:

- i. Included in revenue generated from renting of investment properties, HK\$114,532,000 (six months ended 30 June 2020: HK\$104,052,000) 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 2021, revenue from hotel operation, which arose from contracts with customers comprises of (i) hotel room revenue of HK\$14,656,000 (six months ended 30 June 2020: HK\$12,272,000) being recognised over time and based on output method; (ii) food and beverage sales of HK\$14,378,000 (six months ended 30 June 2020: HK\$3,707,000) and ancillary service of HK\$320,000 (six months ended 30 June 2020: HK\$563,000) being recognised at point in time. The remaining revenue of HK\$4,212,000 (six months ended 30 June 2020: HK\$4,878,000) is rental income from leasing of hotel's rental portion under operating leases in which the lease payments are fixed.
- iii. Interest income and others includes interest income from listed and unlisted debt securities and time deposits of HK\$123,688,000 (six months ended 30 June 2020: HK\$189,515,000), and dividend income from listed equity securities of HK\$3,141,000 (six months ended 30 June 2020: nil).

5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income on bank deposits	19	177
Government grants	2,350	700
Others	5,538	1,146
	<u>7,907</u>	<u>2,023</u>

During the current interim period, the Group recognised government grants of HK\$2,350,000 (six months ended 30 June 2020: HK\$700,000) from Club-house Subsidy Scheme, Catering Business Subsidy Scheme, 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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Selling and marketing expenses	319	114
Direct operating expenses on investment properties	2,306	2,525
	<u>2,625</u>	<u>2,639</u>

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange gain (loss)	4,513	(7,523)
Loss on disposal of debt instruments at fair value through other comprehensive income	–	(24,530)
Gain on early redemption of debt instruments at fair value through other comprehensive income	10,652	–
Fair value gain on financial assets at fair value through profit or loss	9,658	–
	<u>24,823</u>	<u>(32,053)</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank borrowings		
Interest on bank borrowings	57,648	116,280
Amortisation of bank borrowings front-end fee	<u>7,581</u>	<u>6,600</u>
	<u>65,229</u>	<u>122,880</u>
Guaranteed notes		
Interest on guaranteed notes	28,149	31,669
Amortisation of guaranteed notes issue costs	<u>1,112</u>	<u>1,332</u>
	<u>29,261</u>	<u>33,001</u>
Lease liabilities		
Interest on lease liabilities	3,022	3,943
Other charges	<u>438</u>	<u>3,099</u>
	<u>97,950</u>	<u>162,923</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	805	2,863
Australia	1,942	1,639
The United Kingdom	<u>5,740</u>	<u>5,859</u>
	<u>8,487</u>	<u>10,361</u>
Underprovision in prior years		
Hong Kong Profits Tax	<u>-</u>	<u>2,950</u>
Deferred tax:		
Current year	<u>(733)</u>	<u>1,989</u>
	<u>7,754</u>	<u>15,300</u>

10. DIVIDENDS

Six months ended 30 June	
2021	2020
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Dividends recognised as a distribution during the period:

Final dividend for the year ended 31 December 2020 of HK3 cents per share (2020: final dividend for the year ended 31 December 2019 of HK3 cents per share)	<u>19,219</u>	<u>19,869</u>
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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 2020: HK2 cents per share amounting to HK\$13,203,000 in aggregate) will be paid to the shareholders of the Company whose names appear on the register of members of the Company on 29 September 2021.

11. 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	
2021	2020
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Earnings for the purpose of basic and diluted earnings per share:

Profit for the period attributable to the Company's shareholders	<u>65,627</u>	<u>55,955</u>
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Number of shares	
Six months ended 30 June	
2021	2020
(unaudited)	(unaudited)

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>636,708,825</u>	<u>662,288,726</u>
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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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss recognised on listed debt instruments at fair value through other comprehensive income	103,236	–

The basis of determining the inputs and assumptions of the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

The table below details the credit risk exposures of the Group's debt instruments at fair value through other comprehensive income which are subject to expected credit loss ("ECL") assessment:

	External credit ratings	12m ECL or lifetime ECL	Gross carrying amount	
			30.6.2021	31.12.2020
			HK\$'000	HK\$'000
			(unaudited)	(audited)
Debt instruments at fair value through other comprehensive income				
Listed debt instruments	A2 to B2	12m ECL	2,320,277	3,879,628
	B3	Lifetime ECL (not credit-impaired)	550,138	–
	Withdrawn rating	Lifetime ECL (credit-impaired)	65,975	–

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL (Continued)

The following tables show reconciliation of impairment loss that has been recognised for debt instruments at fair value through other comprehensive income:

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2020 and 31 December 2020 (audited)	10,033	–	–	10,033
Transfer to lifetime ECL (not credit-impaired)	(8,434)	8,434	–	–
Transfer to lifetime ECL (credit-impaired)	(415)	–	415	–
Impairment loss recognised	<u>17,049</u>	<u>23,683</u>	<u>62,504</u>	<u>103,236</u>
As at 30 June 2021 (unaudited)	<u><u>18,233</u></u>	<u><u>32,117</u></u>	<u><u>62,919</u></u>	<u><u>113,269</u></u>
		Six months ended 30 June 2021		
		Increase	Increase in	Increase in
		(decrease) in	Lifetime	Lifetime
		12m ECL	ECL	ECL
		(not credit-	(not credit-	(credit-
		impaired)	impaired)	impaired)
		HK\$'000	HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(unaudited)	(unaudited)
Change in probability of default and loss given default ratio for the debt instruments at fair value through other comprehensive income with gross carrying amount of HK\$2,320,277,000	<i>(i)</i>	17,049	–	–
Significant increase in credit risk for the debt instruments at fair value through other comprehensive income with gross carrying amount of HK\$550,138,000	<i>(ii)</i>	(8,434)	32,117	–
Debt instruments at fair value through other comprehensive income with gross carrying amount of HK\$65,975,000 become credit-impaired	<i>(iii)</i>	<u>(415)</u>	<u>–</u>	<u>62,919</u>

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL (Continued)

The Group has established an expected credit losses calculation methodology that is based on the probability of default assigned to each issuer according to their external credit ratings, financial performance and financial positions and the related historical credit losses experience, adjusted for forward-looking information, including the economic environment that the issuers operated in, such as forecast property market development, forecast changes in default rate of the respective credit rating published by external credit rating agencies, etc.

Notes:

- i) Given the change in probability of default and loss given default ratio in case of default on respective credit rating published by external credit rating agencies, accumulated impairment loss of HK\$18,233,000 has been recorded in respect of the debt instruments at fair value through other comprehensive income with gross carrying amount of HK\$2,320,277,000 based on 12m ECL, of which impairment loss of HK\$17,049,000 has been recognised in profit or loss during the current interim period.
- ii) With respect to the rating actions taken by external credit rating agencies against the issuer which included in the Group's portfolio and its deteriorating credit ratings as well as its weakening liquidity position, the Group has considered significant increase in credit risk for these listed debt instruments with gross carrying amount of HK\$550,138,000. Accumulated impairment loss of HK\$32,117,000 has been recorded in respect of these listed debt instruments, of which impairment loss of HK\$23,683,000 has been recognised in profit or loss during the current interim period.

Subsequent to the end of current interim period and up to the date of this announcement, the fair value of such listed debt securities further declined by approximately HK\$230,000,000, which would be recognised in other comprehensive income.

- iii) By considering the deteriorating credit ratings issued by external credit rating agencies against the issuer which included in the Group's portfolio and its past due events during current interim period, the Group has classified the relevant listed debt instruments with gross carrying amount of HK\$65,975,000 as credit-impaired. Accumulated impairment loss of HK\$62,919,000 has been recorded in respect of these listed debt instruments, of which impairment loss of HK\$62,504,000 has been recognised in profit or loss during the current interim period.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
Trade receivables — hotel operation (<i>note</i>)	3,077	133
Accrued income	415	1,066
Deposits, prepayments and other receivables	<u>9,930</u>	<u>31,595</u>
	<u><u>13,422</u></u>	<u><u>32,794</u></u>

Note: Trade receivables from corporate customers and travel agents for the use of hotel facilities.

The Group allows an average credit period of 30 days to its corporate customers and travel agents in hotel operation.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The following is an aged analysis of trade receivables, presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	At 30 June 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
0 to 30 days	2,072	131
31 to 60 days	548	2
61 to 90 days	457	–
	<u>3,077</u>	<u>133</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 2021 HK\$'000 (unaudited)	At 31 December 2020 HK\$'000 (audited)
0 to 60 days	<u>1,078</u>	<u>593</u>
Trade payables	1,078	593
Rental deposits	8,480	7,043
Rental received in advance	46,443	45,622
Other payables, other deposits and accrued charges	126,323	70,718
Interest payables	<u>29,342</u>	<u>29,368</u>
	<u>211,666</u>	<u>153,344</u>
Current	206,748	153,344
Non-current	<u>4,918</u>	<u>–</u>
	<u>211,666</u>	<u>153,344</u>

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

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of current interim period, the Group had entered into agreements for the following transactions with respect to disposal of investment properties in Hong Kong with an aggregate carrying amount of approximately HK\$500,000,000 at an aggregate consideration of approximately HK\$670,000,000, resulting into an estimated fair value gain of approximately HK\$170,000,000 (before transaction costs and expenses) and realisation of cash of approximately HK\$420,000,000 after repayment of the secured bank borrowings of approximately HK\$250,000,000 upon completion of disposal:

- i. On 19 July 2021, the Group entered into an agreement for sale and purchase to dispose of its 100% equity interests in Green Charm Global Limited and its subsidiary that held an investment property in Hong Kong to an independent third party. The transaction will be completed in March 2022;
- ii. On 23 July 2021, the Group entered into an agreement for sale and purchase to dispose of its 100% equity interests in Novel Modern Investments Limited and its subsidiary that held an investment property in Hong Kong to an independent third party. The transaction will be completed in January 2022. Details of the disposal were disclosed in the announcement of the Company dated 23 July 2021; and
- iii. On 27 July 2021, the Group entered into an agreement for sale and purchase to dispose of its 100% equity interests in Glorious Creation Limited and its subsidiary that held an investment property in Hong Kong to an independent third party. The transaction will be completed in January 2022. Details of the disposal were disclosed in the announcement of the Company dated 27 July 2021.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents (for the six months ended 30 June 2020: HK2 cents) per share for the six months ended 30 June 2021 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 29 September 2021. The relevant dividend warrants are expected to be despatched on or before Friday, 15 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 23 September 2021.

DISCUSSION AND ANALYSIS

Financial Summary

Revenue for the six months ended 30 June 2021 amounted to HK\$276.1 million (2020: HK\$315.1 million). The revenue was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and income from financial investment.

Profit for the six months ended 30 June 2021 amounted to HK\$65.6 million (2020: HK\$56.0 million). The increase in current period was mainly due to increase in renting of investment properties, increase in fair value surplus on investment properties, decrease in finance cost, but largely offset by impairment loss on listed debt instruments at fair value through other comprehensive income.

Profit attributable to the Company's shareholders for the six months ended 30 June 2021 amounted to HK\$65.6 million (2020: HK\$56.0 million), equivalent to a basic earnings per share of HK10.3 cents (2020: HK8.4 cents).

As at 30 June 2021, the Group's equity attributable to the Company's shareholders amounted to HK\$5,868.7 million (31 December 2020: HK\$6,240.6 million). The net asset value per share attributable to the Company's shareholders as at 30 June 2021 was HK\$9.8 as compared with HK\$9.7 as at 31 December 2020.

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

	30 June 2021 HK\$ million	31 December 2020 HK\$ million
Hong Kong	4,292.9	4,243.8
The United Kingdom	4,766.5	4,697.2
Australia	166.7	171.0
Total	<u>9,226.1</u>	<u>9,112.0</u>

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK\$556.2 million (31 December 2020: HK\$566.2 million), whereas the market value as at 30 June 2021 as determined by valuation carried out by an independent property valuer is HK\$5,600.0 million (31 December 2020: 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 2021, 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\$14,269.9 million (31 December 2020: HK\$14,145.8 million), HK\$10,912.5 million (31 December 2020: HK\$11,274.4 million) and HK\$18.1 (31 December 2020: HK\$17.6) respectively.

Business Review

Property Investment and Development

The Group continues to focus on property development and property investment projects, but has not committed to limit its sphere of activities solely to outside the PRC or to property related development and investments. 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 a residential project in Hong Kong (No. 1 Shouson Hill Road East), an investment 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, two investment properties in London, the United Kingdom (20 Moorgate and 33 Old Broad Street) and an investment property in Australia (Lizard Island).

Hong Kong

During the period, the Group continues our effort in the residential development project in West Kowloon Waterfront “Grand Victoria”¹. The project is being developed into a premium-graded residential project with its unique locational advantages and design. The location enjoys excellent connectivity with the MTR station providing seamless linkages with Central, the airport, the highspeed rail terminus as well as most of the commercial districts in the region. 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 440 units of the project have been sold with total sale proceeds of nearly HK\$6.3 billion.

Located at No. 50 Wellington Street, Central, Hong Kong, “Winway Building”², 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 with gross floor area of approximately 58,207 sq.ft.. The rental income generated from the property for the period ended 30 June 2021 was HK\$8.7 million (2020: HK\$9.3 million) which was slightly decreased primarily due to the impact of COVID-19, including rental relief granted to selective tenants to help them weather through this difficult time. As at 30 June 2021, the occupancy rate was increased to 100% (2020: 84%).

The Group owns 10 houses of residential properties at Shouson Hill Road East, prime situated in the Deep Water Bay of Hong Kong South, also known as the traditional supreme luxury residential zone, surrounded by lush landscaping with wide Mount Nicholson view. Parts of the renovation works were completed during the period with remaining works to be completed in 2021 by phases. Despite of COVID-19 during the period, the demand for luxury home continues to show resilience amid limited new supply. Subsequent to the financial period end, the Group entered into agreements with several independent third parties to dispose of houses at an aggregate consideration of approximately HK\$670 million (around HK\$75,000-HK\$92,000 per sq. feet). The transactions will be completed in first quarter of 2022. The disposal provides an attractive opportunity to realise the Group’s investment in the properties and realise a cash amount of approximately HK\$420.0 million (after repayment of the existing bank loans) for future reinvestment.

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, a commercial and office property, is a seven-storey high-quality office building and located in London, less than 100 metres north of the Bank of England. It comprises approximately 154,854 sq.ft. (14,386 sq.m.) of Grade A office, retail and ancillary facilities arranged over lower ground, ground and seven upper floors. The property 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. Rental income generated from the property was £3.8 million, approximately HK\$40.6 million (2020: HK\$36.8 million) during the period.

33 Old Broad Street, London, a high quality commercial property, is prominently positioned in the core of the City of London, only 150 metres away from the new Crossrail station — Liverpool Street Station. This strategic location appeals to global occupiers from the financial, insurance and professional sectors. Moreover, the 9-storey property is located in an area known as the Eastern Cluster, identified by the City of London Corporation as suitable for development of tall buildings, providing a landmark tower redevelopment opportunity. With a floor space of 191,165 sq.ft. (17,760 sq.m.), the property 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. The property generated rental income of £5.2 million, approximately HK\$55.6 million (2020: HK\$50.4 million) during the period.

Despite the prolonged lockdown in the United Kingdom and the uncertainties in the world economy during the COVID-19 pandemic, 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.

Australia

Lizard Island Resort, an Australia's northern-most island resort, uniquely locates on the Great barrier Reef, 240 kilometres north of Cairns, and has 24 powdery-white beaches, over 1,000 hectares of national park, 40 luxurious beach lodges. Lizard Island has consistently ranked as one of the world's top luxury island resorts. As at 30 June 2021, the property was fully let to a hotel operator on a long-term lease guaranteed by an investment grade conglomerate. The rental income generated from the property for period ended 30 June 2021 was HK\$8.7 million (2020: HK\$7.4 million).

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. The Hong Kong hospitality market continued to be negatively affected by stringent travel restrictions and border closures which have been implemented since March 2020. For the period ended 30 June 2021, the hotel revenue achieved improvement, which was HK\$33.6 million (2020: HK\$21.4 million), increased by approximately 57%. This was the result from the increase in food and beverage revenue after rebranding of our existing restaurant outlets and introducing new Italian and Japanese restaurants.

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 measurement and take decisive decision 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 2021, the Group held financial investment of approximately HK\$3,544.4 million (31 December 2020: HK\$4,412.3 million), which are comprised of listed debt securities and unlisted investments.

Financial Resources and Liquidity

Working Capital and Loan Facilities

As at 30 June 2021, the Group's total pledged bank deposits, bank balances and cash was HK\$3,518.4 million (31 December 2020: HK\$3,384.2 million), total financial investments (including debt instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income) were HK\$3,544.4 million (31 December 2020: HK\$4,412.3 million) and unutilised facilities were HK\$3,360.6 million (31 December 2020: HK\$3,332.1 million).

As at 30 June 2021, the Group's bank borrowings was HK\$8,905.4 million (31 December 2020: HK\$9,123.0 million) and the guaranteed notes was HK\$1,161.5 million (31 December 2020: HK\$1,158.2 million). After netting off the bank balance, cash and the financial investments, the Group had a net debt position of HK\$3,004.1 million (31 December 2020: HK\$2,484.7 million) with gearing ratio of 21.1% (31 December 2020: 17.6 %) (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 2020: HK\$5,600.0 million)).

As at 30 June 2021, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	30 June 2021	31 December 2020
	HK\$' million	HK\$' million
Due		
Within 1 year	3,295.0	3,516.3
1–2 years	2,299.6	1,118.4
3–5 years	4,519.9	5,681.8
	10,114.5	10,316.5
Less: Unamortised front-end fee and Notes issue expenses	(47.6)	(35.3)
	<u>10,066.9</u>	<u>10,281.2</u>

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank borrowings drawn as at 30 June 2021 amounted to HK\$6,028.4 million (31 December 2020: HK\$6,274.3 million) which comprised of secured bank borrowings of HK\$4,506.9 million (31 December 2020: HK\$4,722.8 million) and unsecured bank borrowings of HK\$1,521.5 million (31 December 2020: HK\$1,551.5 million). The secured bank borrowings were secured by properties valued at HK\$3,092.2 million (31 December 2020: HK\$3,020.2 million), listed debt securities of HK\$2,936.4 million (31 December 2020: HK\$3,879.6 million) and pledged cash of HK\$22.9 million (31 December 2020: HK\$29.8 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK\$4,933.2 million as at 30 June 2021 (31 December 2020: HK\$4,868.2 million) to secure bank borrowings of HK\$2,921.2 million (31 December 2020: HK\$2,879.5 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 30 June 2021, 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 2021, the Group had a total of 159 employees (2020: 135 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$41.7 million for the period ended 30 June 2021 (2020: HK\$38.9 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 the rollout of the COVID-19 vaccine, the number of global new reported cases significantly fell in the first half of 2021. In addition, many governments introduced massive economic stimulus packages, and therefore, the global economy gained momentum. According to the latest projection from the International Monetary Fund at end of July 2021, the global economy was projected to grow 6.0% and 4.9% in 2021 and 2022 respectively. Economic prospects, however, diverge across economies because of different paces of vaccine rollout and policy supports. Meanwhile, the near-term economic outlook will hinge much on the spread of COVID-19 variants and the policies of the United States, particularly on its implication on Sino-US relations.

The Mainland's outperformance during recovery from the COVID-19 pandemic led the Mainland to be the only major economy with economic growth in 2020. The economy in the first half of 2021 has picked up further. Against the backdrop of tense Sino-US relations, the Mainland economy is likely to continue to progress at a stable pace in the remainder of 2021.

Alongside the improving global economic conditions and relieving local epidemic, the Hong Kong economy was on track for recovery in the first half of this year. Real gross domestic product ended contraction in 2020 and grew by 5.4% and 7.6% in the first and second quarter of 2021 respectively. Nevertheless, the pace of economic recovery across sectors was uneven. Exports of goods grew strong, but consumption and tourism-related activities were still hard hit by the COVID-19 pandemic. Going forward, Hong Kong will continue to face difficulties and challenges. Yet, Hong Kong economy will continue to benefit from the recovery of Mainland China and the United States. Thus, Hong Kong economic prospect is positive.

Hong Kong property market showed improvement in the first half of 2021. Trading activities picked up notably. Given the persistent tight housing supply and low interest rate environment, the residential property market will remain resilient in the long term, particularly if the demand from the Mainland is released after reopen borders with the Mainland. With limited new supply, demand for luxury property remains strong. Luxury property market is expected to rebound.

The pandemic has posed a serious threat to the hotel industry around the globe. To cope with these unprecedented challenges, the Group has swiftly adopted strategies. The improvement of hotel revenue is notable. Considering that the Delta variant is spreading worldwide recently, the cross border restrictions around the globe will persist throughout 2021. That being said, the Mainland tourists are expected to visit Hong Kong again once the pandemic is over. To well prepare for swiftly restoring our performance once the tourism industry revives, our Group has accelerated the hotel renovation, rebranded restaurant outlets, improved efficiency and cost management.

Since early 2021, due to the increasing uptake of vaccine, we have seen a significant decrease in the number of confirmed cases in the United Kingdom, notwithstanding the challenge for the United Kingdom under the spread of new variants. The United Kingdom government has uplifted most of the social distancing restrictions so that the business in the United Kingdom has been back to normal. Supported by long leases with high grade covenants and reputable tenants, stable rental income from the Group's property portfolio in the United Kingdom will sustain. The Group believes that London will remain as an international financial center after Brexit, and hence we will continue to seek investment opportunities in London to maximize shareholders' value as a whole.

Amid the unprecedented challenges, the Group remains in a healthy financial position. Relatively low gearing level and strong cash flow provide room for the Group to grasp opportunities when available. We are confident that the Group will be able to cope with the current global economic headwinds and provide stable dividends to its shareholders of the Company.

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

During the six months ended 30 June 2021, the Company repurchased a total of 40,116,000 issued ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate cash consideration of HK\$342,242,507 (excluding expenses). All the purchased shares were then cancelled and the number of issued shares of the Company was reduced accordingly. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
May 2021	1,620,000	8.48	8.28	13,683,168
June 2021	<u>38,496,000</u>	8.88	8.07	<u>328,559,339</u>
	<u><u>40,116,000</u></u>			<u><u>342,242,507</u></u>

The directors of the Company considered that the aforesaid shares were repurchased at a discount to the underlying fair value per share and such purchases resulted in an increase in the net asset value and earnings of every remaining share of the Company.

Apart from the above, 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 2021.

CORPORATE GOVERNANCE PRACTICES

During the period for the six months ended 30 June 2021, 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 2021 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 2021 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) and the Company (www.seagroup.com.hk) in September 2021.

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

Hong Kong, 26 August 2021

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