

INTERIM REPORT 2022

Building with the Times



爪哇集團
SEA Group

Stock Code 股份代號: 251

DIRECTORY

DIRECTORS

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

AUDIT COMMITTEE

Mr. Chan Kwok Wai (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam
Mr. Lo Wai Tung Welman

NOMINATION COMMITTEE

Mr. Lu Wing Chi, Jesse (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Lo Wai Tung Welman

REMUNERATION COMMITTEE

Mr. Chung Pui Lam (*Chairman*)
Mr. Lu Wing Chi, Jesse
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Lo Wai Tung Welman

AUTHORISED REPRESENTATIVES

Mr. Lambert Lu
Ms. Chow Siu Yin, Dora

COMPANY SECRETARY

Ms. Chow Siu Yin, Dora

LEGAL ADVISERS

Mayer Brown
Clifford Chance
Stephenson Harwood
Conyers Dill & Pearman

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Credit Suisse AG Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

REGISTERED OFFICE

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Bermuda

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BRANCH REGISTRAR IN HONG KONG

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LISTING

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

STOCK CODE AND BOARD LOT

251/2,000 shares

WEBSITE

www.seagroup.com.hk

CONTENTS

2	Highlights
3	Location of the Group's Properties/Projects
4	Property Portfolio
12	Management Discussion and Analysis
20	Corporate Governance and Other Information
26	Report on Review of Condensed Consolidated Financial Statements
27	Condensed Consolidated Statement of Profit or Loss
28	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
29	Condensed Consolidated Statement of Financial Position
31	Condensed Consolidated Statement of Changes in Equity
33	Condensed Consolidated Statement of Cash Flows
34	Notes to the Condensed Consolidated Financial Statements
59	Glossary

HIGHLIGHTS

For the six months ended 30 June 2022



Grand Victoria, Hong Kong



Revenue

HK\$189.5 million

(2021: HK\$276.1 million)



(Loss) Profit attributable to the Shareholders

(HK\$65.3 million)

(2021: HK\$65.6 million)



Net asset value ("NAV") and NAV per share of the Group attributable to the Shareholders as at 30 June 2022

HK\$10,047.8 million and HK\$16.7 respectively[#]

[#] After adjusting hotel property to fair market value.

LOCATION OF THE GROUP'S PROPERTIES/PROJECTS

UNITED KINGDOM



CHINA



UNITED KINGDOM London

- 20 Moorgate
- 33 Old Broad Street



CHINA Hong Kong

- 1 Shouson Hill Road East
- Crowne Plaza Hong Kong Causeway Bay
- Grand Victoria
- Jardine's Lookout
- Repulse Bay
- Winway Building



PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

GRAND VICTORIA

維港匯

HONG KONG, CHINA



DEVELOPMENT PROPERTY

Project Name: Grand Victoria

Development Address:

6 Lai Ying Street and 8 Lai Ying Street, South West Kowloon, Hong Kong

District: South West Kowloon

Usage: Residential

Number of Residential Units: 1,437

Geographical Environment:

Located at the South West Kowloon waterfront. The location enjoying panoramic harbour views while having the West Kowloon Cultural District and Guangzhou – Shenzhen – Hong Kong Express Rail Link Terminus in the vicinity. It enjoys excellent connectivity with MTR stations and lines linking Central, airport, the Express Rail Link Terminus and all the commercial hubs in the city.

Approximate Site Area: 208,262 sq. ft.

Approximate Gross Floor Area: 987,812 sq. ft.

Expected Completion: March 2023

Mode of Development: Joint Venture
(the Group holds 14.5% interest)

Project Highlight:

- The project consists of 3 Phases, Phase I provides 524 units; Phase II provides 525 units and Phase III provides 388 units.
- The project is being developed as a premium waterfront property, completed with green architectural features and smart home designs.

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

1 SHOUSON HILL

ROAD EAST

HONG KONG, CHINA



INVESTMENT PROPERTY

Project Name: 1 Shouson Hill Road East

Development Address:

1 Shouson Hill Road East, Deep Water Bay, Hong Kong

District: Deep Water Bay

Usage: Residential

Geographical Environment:

Prestigiously situated in the luxurious residential area in the Deep Water Bay area of Island South, the project possesses the lush panoramic views of Mount Nicholson and residents could enjoy the convenience of commuting to the Central and Causeway Bay by just a few minutes of driving.

Number of Residential Units: 7 houses

Lease Expiry: 30 June 2047

Ownership Status: 100%

Project Highlight:

- Features 20 blocks of 3-storey detached houses, each with a sizable private garden, roof top and covered car parking spaces accessible directly from the house.

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

HONG KONG, CHINA



INVESTMENT PROPERTY

Project Name: Jardine's Lookout

Development Address:

No. 89-93 Tai Hang Road, Hong Kong (Inland Lot No. 7384)

District: Jardine's Lookout

Usage: Residential

Approximate Site Area: 11,000 sq. ft

Approximate Gross Floor Area: 22,000 sq. ft

Lease Expiry: 75 years commencing from 25 April 1957

Ownership Status: 100%

Geographical Environment:

As the new luxury residential project, Jardine's Lookout is set just above Happy Valley, overlooks the dazzling Victoria Harbour view. This predominant lavish residential neighborhood are mostly expansive detached properties. It enjoys a convenient transportation network.

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

HONG KONG, CHINA



INVESTMENT PROPERTY

Project Name: Repulse Bay

Development Address:

Rural Building Lot No. 1203 at South Bay Road,
Repulse Bay, Hong Kong

District: Repulse Bay

Usage: Residential

Geographical Environment:

Located at traditional luxury residential area Repulse Bay, it will be developed into luxury residences with endless intoxicating sea views, featuring a stunning panoramic view of Repulse Bay.

Approximate Site Area: 1,967 sq. m.

Approximate Gross Floor Area: 1,770 sq. m.

Lease Expiry: 50 years commencing from 18 March 2022

Ownership Status: 100%

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

LONDON, THE UNITED KINGDOM



INVESTMENT PROPERTY

Project Name: 33 Old Broad Street

Development Address:

33-41 Old Broad Street and 1-6 Union Court, London EC2

District: Central Business District, London

Usage: Office

Geographical Environment:

33 Old Broad Street is prominently located at the core of the City of London with only 150 metres away from the Liverpool Street Crossrail Station. This strategic location appeals to global occupiers from the financial, insurance and professional sectors.

Approximate Gross Floor Area: 191,165 sq. ft.

Lease Expiry: Freehold

Ownership Status: 100%

Project Highlight:

- The 9-storey property is located in “the Eastern Cluster” identified by the City of London Corporation, which is identified as suitable for development of high-rise buildings, providing a promising redevelopment opportunity as a landmark development.
- Currently leased to Bank of Scotland as their London Headquarter.

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

LONDON, THE UNITED KINGDOM



INVESTMENT PROPERTY

Project Name: 20 Moorgate

Development Address:
20 Moorgate, London EC2R 6DA

District: Central Business District, London

Usage: Office

Approximate Gross Floor Area: 154,854 sq. ft.

Lease Expiry: Long Lease

Ownership Status: 100%

Geographical Environment:

20 Moorgate is a 7-storey office building located in the heart of London with less than 100 metres of walking distance from the Bank of England. The development provides a sizable floor space of Grade A office, retail and ancillary accommodation. The commercial part of the property is fully let as the headquarter of United Kingdom Prudential Regulation Authority (a regulatory body of the Bank of England).

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

HONG KONG, CHINA



INVESTMENT PROPERTY

Project Name: Winway Building

Development Address:

50 Wellington Street, Central, Hong Kong

District: Central

Usage: Commercial

Approximate Gross Floor Area: 60,000 sq. ft.

Lease Expiry: 999 years commencing from 26 June 1843

Ownership Status: 58.83%

Geographical Environment:

A 24-storey commercial tower located at the prime area of Central. It comprises of 20-storey of office floor space occupied mainly by professional service providers, such as clinics, law firms as well as beauty centres; while the G/F-2/F retail portion provides an ideal location for tenants to establish their presence in Central.

PROPERTY PORTFOLIO

Major Projects

At 30 June 2022

HONG KONG, CHINA



HOTEL PROPERTY

Project Name: Crowne Plaza Hong Kong Causeway Bay

Development Address:

8 Leighton Road, Causeway Bay, Hong Kong

District: Causeway Bay

Usage: Hotel

Lease Expiry: 6 November 2049

Ownership Status: 100%

Geographical Environment:

Situated at the heart of Hong Kong's most renowned shopping district, the hotel has spectacular views of the vibrant city as well as the greenery views of the Happy Valley race course, and it has become the premium choice of hotel accommodation for both business and leisure travelers.

Project Highlight:

- Crowne Plaza Hong Kong Causeway Bay's guest rooms and suites are spacious and comfortable, and are the largest of any hotels in the area. Since its opening in late 2009, the hotel has established an excellent reputation offering a unique experience to the international travelers around the world.
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MANAGEMENT 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 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 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 Shareholders as at 30 June 2022 was HK\$8.3 as compared with HK\$9.1 as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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 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.

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 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.

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).



Grand Victoria, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong

During the period, the Group continues our effort in the residential development project in West Kowloon Waterfront “Grand Victoria”¹. 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.



Grand Victoria, Hong Kong

Winway Building², 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%).



Jardine’s Lookout, Hong Kong

The Group owns a residential properties project at Shouson Hill Road East, Hong Kong. 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.



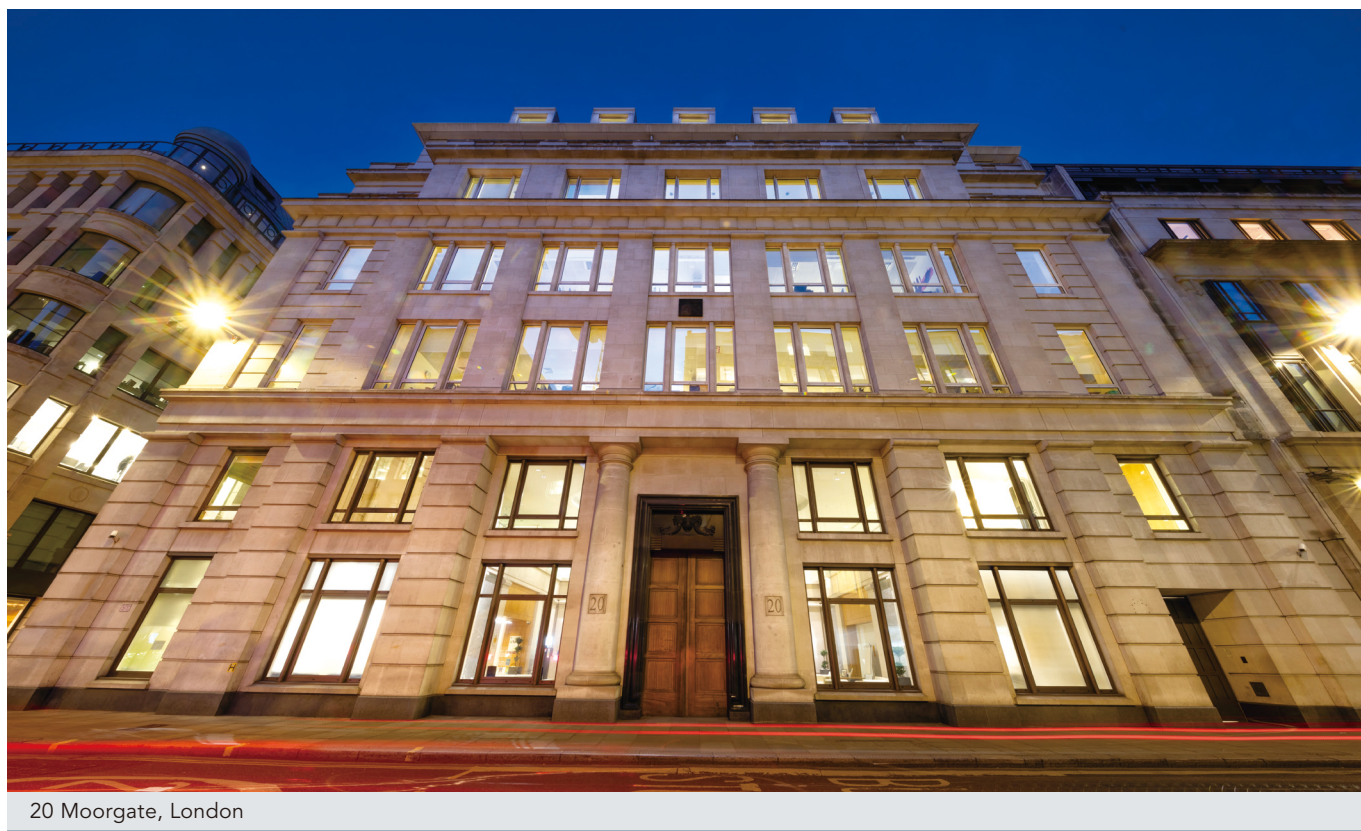
Repulse Bay, Hong Kong

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.

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 reopen 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.



GIACOMO at Crowne Plaza Hong Kong Causeway Bay, Hong Kong

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.



Sushi Ikkon at Crowne Plaza Hong Kong Causeway Bay, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

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:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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) 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



1 Shouson Hill Road East, Hong Kong

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 CG Code contained in Appendix 14 to the Listing Rules.

Risk Management and Internal Control

The Board has overall responsibility for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group to safeguard the Shareholders' interest and the Company's assets.

The Board, through the Audit Committee, reviews regularly the effectiveness and adequacy of the Group's internal control system which includes financial, operational and compliance mechanisms and risk management functions. The review also includes the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget as well as those relating to the Company's ESG performance and reporting.

Securities Transactions by Directors and Employees

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

In response to the specific enquiry made on them by the Company, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the period for the six months ended 30 June 2022.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the Directors) to regulate their dealings in the listed shares of the Company, as they are likely to be in possession of inside information in relation to such shares because of their office or employment.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

1. Long positions in shares of the Company

Name of Directors	Number of ordinary shares held			Number of underlying shares held under equity derivatives		Approximate % of interest in the issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporations)	Family interests (interests of spouse)	Personal interests (held as beneficial owner)	Total interests	
Lu Wing Chi, Jesse	—	446,392,255 ⁽ⁱ⁾	—	—	446,392,255	74.14
Lambert Lu	550,000	338,779,740 ⁽ⁱⁱ⁾	—	—	339,329,740	56.36
Yap Shee Liam	648,000	—	—	350,000	998,000	0.17
Walujo Santoso, Wally	1,680,400	—	—	—	1,680,400	0.28
Chung Pui Lam	894,800	—	—	—	894,800	0.15
Chan Kwok Wai	—	—	—	—	—	—
Lo Wai Tung Welman	—	—	—	—	—	—

Notes:

- (i) Among these 446,392,255 shares, 107,612,515 shares were held by Port Lucky, 78,548,387 shares were held by Ambleside Glory and 260,231,353 shares were held by NLI. Port Lucky is 100% owned by SEA Fortune, which in turn is 100% owned by NYH. NYH is 100% owned by Mr. Lu Wing Chi, Jesse. Ambleside Glory is 100% owned by NLI, which in turn is owned by Mr. Lu Wing Chi, Jesse and Mr. Lambert Lu as to 60% and 40% respectively (as disclosed in the section of "Long positions in shares of associated corporation" on page 22). By virtue of Mr. Lu Wing Chi, Jesse's interests in NLI, Port Lucky and Ambleside Glory, he is deemed to be interested in these shares.
- (ii) As disclosed in Note (i) above, among these 338,779,740 shares, 78,548,387 shares were held by Ambleside Glory and 260,231,353 shares were held by NLI. Ambleside Glory is 100% owned by NLI, which in turn is owned by Mr. Lu Wing Chi, Jesse and Mr. Lambert Lu as to 60% and 40% respectively. By virtue of Mr. Lambert Lu's interests in NLI and Ambleside Glory, he is also deemed to be interested in these shares.
- (iii) The total number of issued shares of the Company as at 30 June 2022 was 602,122,726 shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2. Long positions in shares of associated corporation

Name of associated corporation	Name of Directors	Number of ordinary shares held			Total interests	Approximate % of interest in the issued share capital
		Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporation)	Family interests (interests of spouse)		
NLI	Lu Wing Chi, Jesse	93,876	—	—	93,876	60.00
	Lambert Lu	62,584	—	—	62,584	40.00

Saved as disclosed herein, as at 30 June 2022, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, so far as is known to the Directors, the following substantial Shareholders and other persons (other than Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name of Shareholders	Number of ordinary shares		Total interests	Approximate % of interest in the issued share capital
	Held as beneficial owner	Held by controlled corporations		
NLI	260,231,353	78,548,387 ⁽ⁱ⁾	338,779,740	56.26
Ambleside Glory	78,548,387	—	78,548,387	13.05
NYH	—	107,612,515 ⁽ⁱⁱ⁾	107,612,515	17.87
SEA Fortune	—	107,612,515 ⁽ⁱⁱ⁾	107,612,515	17.87
Port Lucky	107,612,515	—	107,612,515	17.87

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (i) NLI holds 100% of the issued share capital of Ambleside Glory. The above 78,548,387 shares held by Ambleside Glory are also deemed to be interest of NLI and such shares are, therefore, duplicated between these shareholders for the purpose of the SFO.
- (ii) NYH holds 100% of the issued share capital of SEA Fortune, which in turn holds 100% of the issued share capital of Port Lucky. The above 107,612,515 shares held by Port Lucky are also deemed to be interest of SEA Fortune and NYH and such shares are, therefore, duplicated between these shareholders for the purpose of the SFO.
- (iii) Messrs Lu Wing Chi, Jesse and Lambert Lu, both being Directors, are also directors of NLI, Ambleside Glory, NYH, SEA Fortune and Port Lucky.
- (iv) The total number of issued shares of the Company as at 30 June 2022 was 602,122,726 shares.

Saved as disclosed herein, as at 30 June 2022, none of the substantial Shareholders and other persons (other than Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

The Company adopted the share option scheme on 29 May 2015.

The following table shows the movements in share options under the share option scheme during the six months ended 30 June 2022 and the options outstanding at the beginning and end of the period:

Name	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of underlying shares comprised in share options		
				As at 01.01.2022	Lapsed during the period	As at 30.06.2022
Eligible employees in aggregate	22.01.2018	12.800	01.01.2020 to 31.12.2021	500,000	(500,000)	—
			01.07.2020 to 30.06.2022	75,000	—	75,000
			01.01.2021 to 31.12.2022	575,000	—	575,000
			01.07.2021 to 30.06.2023	875,000	(25,000)	850,000
Total				2,025,000	(525,000)	1,500,000

Notes:

- (i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (ii) No share options had been granted, exercised or cancelled under the share option scheme during the six months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share Award Scheme

The Company adopted a share award scheme on 15 June 2010. The scheme is an incentive arrangement for the Group to recognise and acknowledge the performance and/or contributions which the eligible participants (as defined under the scheme) have made or will make to the Group and promote its long term success.

No award was granted by the Company under its share award scheme during the six months ended 30 June 2022.

Financial Assistance to Affiliated Companies

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance from the Group and the Group's attributable interests in those affiliated companies as at 30 June 2022 are presented as follows:

	Combined statement of financial position HK\$ million	Group's attributable interests HK\$ million
Non-current assets	23.7	3.4
Current assets	23,865.9	3,460.6
Current liabilities	(5,483.4)	(795.1)
Total assets less current liabilities	18,406.2	2,668.9
Non-current liabilities		
— Bank borrowings	(5,654.6)	(819.9)
	12,751.6	1,849.0
Total equity (including capital contribution in form of loan to the affiliated company)	12,751.6	1,849.0

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and re-grouping into significant classification in the statement of financial position, as at 30 June 2022.

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 AND OTHER INFORMATION

Update of Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the directors' information since the disclosure made in the Company's 2021 annual report up to 26 August 2022 (being the date of approval of this report) is set out below:

Mr. Lambert Lu ceased as a member of the Advisory Board of the MBA Programmes of The Chinese University of Hong Kong.

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 this period no transfer of shares will be registered.

In order to qualify for the interim dividend, all duly completed and stamped transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share 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.

Review of Condensed Consolidated 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 and by Deloitte 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 Hong Kong Institute of Certified Public Accountants.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF S E A HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2022

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
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	7	(46,561)	(30,515)
		(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
Profit after fair value changes on investment properties		78,715	260,311
Other gains and losses	8	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 ("FVTOCI")	20	(93,143)	(103,236)
Finance costs	9	(105,588)	(97,950)
(Loss) profit before taxation	10	(56,105)	73,381
Income tax expense	11	(9,157)	(7,754)
(Loss) profit for the period		(65,262)	65,627
(Loss) profit for the period attributable to the Company's shareholders		(65,262)	65,627
		HK cents (unaudited)	HK cents (unaudited)
Basic and diluted (loss) earnings per share attributable to the Company's shareholders	13	(10.8)	10.3

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
NOTE	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period	(65,262)	65,627
Other comprehensive (expense) income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value (loss) gain on equity instruments at FVTOCI	(70,246)	28,024
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value loss on debt instruments at FVTOCI	(242,211)	(218,285)
Impairment loss recognised on debt instruments at FVTOCI	93,143	103,236
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI	(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	(1,230)	—
Other comprehensive expense for the period	(388,424)	(76,192)
Total comprehensive expense for the period attributable to the Company's shareholders	(453,686)	(10,565)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Non-current assets			
Investment properties	14	7,805,782	7,046,884
Property, plant and equipment	15	613,187	603,598
Investments in joint ventures	16	1,787,968	1,685,935
Equity instruments at FVTOCI	17	192,029	262,021
Debt instruments at FVTOCI	18	171,435	695,176
Financial assets at fair value through profit or loss ("FVTPL")	19	50,480	48,146
Trade and other receivables, deposits and prepayments	21	71,215	—
Pledged bank deposits		26,148	59,148
Other assets		6,749	6,779
		10,724,993	10,407,687
Current assets			
Inventories		1,617	1,700
Debt instruments at FVTOCI	18	191,739	617,397
Trade and other receivables, deposits and prepayments	21	152,404	245,610
Pledged bank deposits		35,000	—
Bank balances and cash		2,492,344	2,685,034
		2,873,104	3,549,741
Assets classified as held for sale	22	—	412,519
		2,873,104	3,962,260
Current liabilities			
Payables, rental deposits and accrued charges	23	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	24	1,450,223	1,278,785
		2,778,246	1,566,296
Liabilities associated with assets classified as held for sale	22	—	160,491
		2,778,246	1,726,787
Net current assets		94,858	2,235,473
Total assets less current liabilities		10,819,851	12,643,160

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Capital and reserves			
Share capital	25	60,212	60,212
Reserves		4,923,783	5,395,533
Total equity		4,983,995	5,455,745
Non-current liabilities			
Payables, rental deposits and accrued charges	23	69,511	3,985
Lease liabilities		179,538	178,575
Bank borrowings — due after one year	24	5,566,244	5,835,022
Guaranteed notes		—	1,149,340
Deferred taxation	26	20,563	20,493
		5,835,856	7,187,415
Total equity and non-current liabilities		10,819,851	12,643,160

The condensed consolidated financial statements on pages 27 to 58 were approved and authorised for issue by the Board of Directors on 26 August 2022 and signed on its behalf by:

LU WING CHI, JESSE
 CHAIRMAN
 AND EXECUTIVE DIRECTOR

LAMBERT LU
 EXECUTIVE DIRECTOR
 AND CHIEF EXECUTIVE

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to the Company's shareholders									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note i)	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserves HK\$'000 (Note ii)	Retained profits HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	64,224	—	277,707	112,085	4,451	2,337	(12,389)	20,159	5,772,031	6,240,605
Profit for the period	—	—	—	—	—	—	—	—	65,627	65,627
Exchange differences arising on translation of foreign operations	—	—	—	21,485	—	—	—	—	—	21,485
Fair value loss on debt instruments at FVTOCI	—	—	—	—	—	—	(218,285)	—	—	(218,285)
Fair value gain on equity instruments at FVTOCI	—	—	—	—	—	—	28,024	—	—	28,024
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI	—	—	—	—	—	—	(10,652)	—	—	(10,652)
Impairment loss recognised on debt instruments at FVTOCI	—	—	—	—	—	—	103,236	—	—	103,236
Other comprehensive income (expense) for the period	—	—	—	21,485	—	—	(97,677)	—	—	(76,192)
Total comprehensive income (expense) for the period	—	—	—	21,485	—	—	(97,677)	—	65,627	(10,565)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	—
— share options	—	—	—	—	—	84	—	—	—	84
Lapse of share options	—	—	—	—	—	(745)	—	—	745	—
Shares repurchased and cancelled	(4,012)	(338,231)	—	—	—	—	—	—	—	(342,243)
Transfer of excess share premium to retained profits	—	338,231	—	—	—	—	—	—	(338,231)	—
Dividends paid (note 12)	—	—	—	—	—	—	—	—	(19,219)	(19,219)
At 30 June 2021 (unaudited)	60,212	—	277,707	133,570	4,451	1,676	(110,066)	20,159	5,480,953	5,868,662
Profit for the period	—	—	—	—	—	—	—	—	4,535	4,535
Exchange differences arising on translation of foreign operations	—	—	—	(42,136)	—	—	—	—	—	(42,136)
Fair value loss on debt instruments at FVTOCI	—	—	—	—	—	—	(627,821)	—	—	(627,821)
Fair value loss on equity instruments at FVTOCI	—	—	—	—	—	—	(311,942)	—	—	(311,942)
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI	—	—	—	—	—	—	(21,291)	—	—	(21,291)
Impairment loss recognised on debt instruments at FVTOCI	—	—	—	—	—	—	597,782	—	—	597,782
Other comprehensive expense for the period	—	—	—	(42,136)	—	—	(363,272)	—	—	(405,408)
Total comprehensive (expense) income for the period	—	—	—	(42,136)	—	—	(363,272)	—	4,535	(400,873)
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	—	—
— share options	—	—	—	—	—	(2)	—	—	—	(2)
Lapse of share options	—	—	—	—	—	(271)	—	—	271	—
Dividends paid (note 12)	—	—	—	—	—	—	—	—	(12,042)	(12,042)
At 31 December 2021 (audited)	60,212	—	277,707	91,434	4,451	1,403	(473,338)	20,159	5,473,717	5,455,745

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to the Company's shareholders									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note i)	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserves HK\$'000 (Note ii)	Retained profits HK\$'000	Total HK\$'000
Loss for the period	—	—	—	—	—	—	—	—	(65,262)	(65,262)
Exchange differences arising on translation of foreign operations	—	—	—	(157,249)	—	—	—	—	—	(157,249)
Fair value loss on debt instruments at FVTOCI	—	—	—	—	—	—	(242,211)	—	—	(242,211)
Fair value loss on equity instruments at FVTOCI	—	—	—	—	—	—	(70,246)	—	—	(70,246)
Reclassification to profit or loss upon disposal of debt instruments at FVTOCI	—	—	—	—	—	—	(10,631)	—	—	(10,631)
Share of other comprehensive expense of a joint venture	—	—	—	—	—	—	(1,230)	—	—	(1,230)
Impairment loss recognised on debt instruments at FVTOCI	—	—	—	—	—	—	93,143	—	—	93,143
Other comprehensive expense for the period	—	—	—	(157,249)	—	—	(231,175)	—	—	(388,424)
Total comprehensive expense for the period	—	—	—	(157,249)	—	—	(231,175)	—	(65,262)	(453,686)
Lapse of share options	—	—	—	—	—	(547)	—	—	547	—
Dividends paid (note 12)	—	—	—	—	—	—	—	—	(18,064)	(18,064)
At 30 June 2022 (unaudited)	60,212	—	277,707	(65,815)	4,451	856	(704,513)	20,159	5,390,938	4,983,995

Notes:

- (i) Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition pursuant to the Group reorganisation in previous years.
- (ii) Other reserves represent the excess of the consideration paid for acquisition of additional interest in subsidiaries from non-controlling interests over the carrying amount of the non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
NOTE	(unaudited)	(unaudited)
Net cash from operating activities	118,010	216,372
Investing activities		
Interest received from bank deposits	503	19
Release of pledged bank deposits	1,122	6,868
Placement of pledged bank deposits	(2,000)	—
Redemption of debt instruments at FVTOCI	695,697	852,146
Redemption of financial assets at FVTPL	—	73,445
Purchase of property, plant and equipment	(1,580)	(26,088)
Additions to investment properties	(1,190,896)	(9,827)
Proceeds from disposal of an investment property	—	9,950
Proceeds from disposal of subsidiaries	30 408,170	—
Purchase of debt instruments at FVTOCI	—	(121,700)
Purchase of financial assets at FVTPL	(2,017)	(13,149)
Purchase of equity instruments at FVTOCI	—	(114,348)
Advances to joint ventures in form of loan	(57,953)	(1,640)
Net cash (used in) from investing activities	(148,954)	655,676
Financing activities		
Drawdown of bank borrowings	1,003,270	3,032,164
Repayment of bank borrowings	(1,014,268)	(3,280,589)
Repayment of lease liabilities	(6,521)	(10,910)
Repayment of guaranteed notes	(7,770)	—
Payment of bank borrowings front-end fee	(26,127)	(24,607)
Repurchase of ordinary shares	—	(342,243)
Interest paid	(93,814)	(89,152)
Dividends paid	(18,053)	(19,215)
Net cash used in financing activities	(163,283)	(734,552)
Net (decrease) increase in cash and cash equivalents	(194,227)	137,496
Cash and cash equivalents at beginning of period	2,688,283	3,354,456
Effect of foreign exchange rate changes	(1,712)	3,576
Cash and cash equivalents at end of period	2,492,344	3,495,528
Represented by:		
Bank balances and cash	2,492,344	3,495,528

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 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 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 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

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 other 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of amendments to Hong Kong Financial Reporting Standards *(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, 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 investments 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. SEGMENT INFORMATION *(continued)*

Share of results of joint ventures were included in the segment of “unallocated” in prior periods. In the current interim period, as the directors 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.

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 HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External revenue	—	101,240	64,053	24,205	189,498
SEGMENT RESULTS					
Segment profit (loss)	45,917	85,196	4,877	(58,702)	77,288
Unallocated interest income					503
Corporate expenses					(25,849)
Share of results 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 HK\$'000 (restated)	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000 (restated)
SEGMENT REVENUE					
External revenue	—	115,706	33,566	126,829	276,101
SEGMENT RESULTS					
Segment (loss) profit	(10,046)	182,330	(15,859)	42,956	199,381
Unallocated interest income					19
Corporate expenses					(26,204)
Share of results of a joint venture					(1,865)
Finance costs					(97,950)
Profit before taxation					73,381

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 (for the 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 result 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

4. REVENUE

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

Notes:

- i. Included in revenue generated from renting of investment properties, HK\$101,240,000 (for the 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 (for the 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 (for the six months ended 30 June 2021: HK\$14,378,000) and ancillary service of HK\$851,000 (for the six months ended 30 June 2021: HK\$320,000) being recognised at point in time. The remaining revenue of HK\$3,214,000 (for the 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 (for the six months ended 30 June 2021: HK\$123,688,000) and dividend income from listed equity securities of HK\$2,963,000 (for the six months ended 30 June 2021: HK\$3,141,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

5. OTHER INCOME

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

For the six months ended 30 June 2022, the Group recognised government grants of HK\$1,743,000 (for the 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

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

7. OTHER EXPENSES

Included in other expenses are the hotel operating expenses and legal and professional fees amounting to HK\$19,703,000 and HK\$16,846,000 (for the six months ended 30 June 2021: HK\$12,589,000 and HK\$4,483,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net exchange gain	8,433	4,513
Gain on disposal of debt instruments at FVTOCI	10,631	10,652
Fair value gain on financial assets at FVTPL	—	9,658
Gain on early redemption of guaranteed notes	60	—
Amortisation of discount on acquisition of additional investment in joint ventures (note 16)	49,674	—
	68,798	24,823

9. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

10. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment (including depreciation of leased properties of HK\$5,367,000 (2021: HK\$5,209,000))	21,343	21,122
Amortisation of club memberships	30	30
Loss on disposal of property, plant and equipment	—	40

11. 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
	7,076	8,487
Deferred tax:		
Current year	2,081	(733)
	9,157	7,754

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(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)	18,064	19,219

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

13. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to the Shareholders	(65,262)	65,627

	Number of shares	
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	602,122,726	636,708,825

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. INVESTMENT PROPERTIES

The Group leases out various offices and retail stores (for the six months ended 30 June 2021: office, retail stores and a resort) under operating leases with rental receivables monthly. The leases typically run for an initial period of 1 to 35 years (2021: 1 to 35 years). Some of the lease contracts contain market review clauses.

Details of the valuation methodology are as follows:

Valuer	Fair value as at 30 June 2022 HK\$'000 (unaudited)	Class of properties	Valuation methodology	Fair value hierarchy	Key inputs to the valuation	Sensitivity analysis
Completed investment properties						
CBRE Limited* and Jones Lang LaSalle Limited [#]	2,380,000	Residential and commercial office units in Hong Kong	The valuers have used the direct comparison approach and made reference to comparable sales evidence as available in the market adjusted by location, size, age and maintenance, etc.	Level 3	Hong Kong residential units' adjusting factors for nature, location and conditions of the properties ranging from 67.0% to 104.4% Hong Kong commercial units' adjusting factors for nature, location and conditions of the property ranging from 82.1% to 129.0%	A significant increase in the adjusting factors for location, size, age and maintenance of the properties used would result in a significant increase in fair value, and vice versa.
Knight Frank LLP [@]	4,231,182	Office portion in the United Kingdom	The valuer has used the income capitalisation approach in which the valuations have reflected the current lease terms and capitalised the appropriate income stream, having regard to market comparable evidence.	Level 3	UK office capitalisation rates ranging from 3.8% to 4.4% per annum	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Directors' estimation	6,600	Residential units in Hong Kong	The Directors have used the direct comparison approach and made reference to comparable sales evidence as available in the market adjusted by location, size, age and maintenance, etc.	Level 3	Hong Kong residential units' adjusting factors for nature, location and conditions of the properties ranging from 92.6% to 98.0%	A significant increase in the adjusting factors for location, size, age and maintenance of the properties used would result in a significant increase in fair value, and vice versa.
Investment properties under construction or development measured at fair value						
Jones Lang LaSalle Limited [#]	1,188,000	Development property units in Hong Kong	The valuer has used the direct comparison approach and residual valuation method.	Level 3	Market unit rate for gross development value assessment and estimated cost to completion.	A significant increase in the market unit rate of gross development value would result in a significant increase in the fair value of the investment properties under construction or development and vice versa.

* CBRE Limited is an independent professional valuer not connected to the Group and is a firm of registered valuers recognised by The Hong Kong Institute of Surveyors.

[#] Jones Lang LaSalle Limited is an independent professional valuer not connected to the Group and is a firm of registered valuers recognised by the Hong Kong Institute of Surveyors.

[@] Knight Frank LLP is an independent professional valuer not connected to the Group and is regulated by the Royal Institution of Chartered Surveyors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. INVESTMENT PROPERTIES *(continued)*

Except for the investment properties under construction or development, the Group's remaining property interests are held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. In respect of the valuation of investment properties carried out by independent qualified professional valuers at the end of each reporting period, the valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The management works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model.

There has been no change from valuation technique used in the prior period/year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There were no transfers into and out of Level 3 in the period presented.

During the six months ended 30 June 2022, the Group acquired a land at Rural Building Lot No. 1203 situated at South Bay Road, Repulse Bay, Hong Kong at the land premium of HK\$1,188,182,000. The Group intends to develop the land into a luxury residential development as a long term investment for rental purpose. The Group also paid approximately HK\$2,714,000 (for the six months ended 30 June 2021: HK\$9,827,000) for construction costs in relation to renovation projects for investment properties in Hong Kong.

During the six months ended 30 June 2021, the Group disposed of an investment property in Hong Kong with a carrying amount of HK\$9,950,000 for a cash proceed of HK\$9,950,000.

During the current interim period, the Group leased its investment property to one of the Directors for a term of one year. The rental income recognised during the period amounted to HK\$750,000 (for the six months ended 30 June 2021: HK\$750,000).

15. PROPERTY, PLANT AND EQUIPMENT

The management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment relating to hotel operation with carrying amount of approximately HK\$536,162,000 (31 December 2021: HK\$546,160,000). The management of the Group estimated the recoverable amount of the cash-generating unit ("CGU") to which the assets belong based on fair value less costs of disposal. The relevant hotel properties were measured at fair value based on Level 3 hierarchy using residual approach on a redevelopment basis. In determining the fair value of the relevant hotel properties, the Group engaged an independent qualified professional valuer to perform the valuation. The key unobservable inputs used in the valuation included the gross development value on completion status and estimated project redevelopment cost.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU based on the fair value less cost of disposal was higher than its carrying amount. No impairment is recognised during the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

In addition, during the current interim period, the Group paid HK\$1,580,000 (for the six months ended 30 June 2021: HK\$26,088,000) for additions of property, plant and equipment and recognised additions of leased properties of HK\$29,352,000 and lease liabilities of HK\$29,352,000 through renewal of existing lease agreement for its office with lease term of 3 years.

16. INVESTMENTS IN JOINT VENTURES

In December 2021, one of the joint venture partners as the vendor (the "Vendor"), entered into the sales and purchase agreement with the Group and two of the other joint venture partners as the purchasers (the "Purchasers") pursuant to which the Vendor agreed to sell, and the Purchasers agreed to purchase all the issued shares and shareholder's loan of Asia Bright Development Limited, Grand Victoria Finance Company Limited and Star Galaxy Limited, joint venture companies of the Group held by the Vendor. 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 of HK\$49,674,000 (for the six months ended 30 June 2021: HK\$nil) has been recognised in the profit or loss.

As at 30 June 2022, the Group also has corporate financial guarantees in proportion of its equity interest in a joint venture for the banking facilities granted to such joint venture. The total amount of such facilities attributable to the Group was HK\$1,461,501,000 (31 December 2021: HK\$1,461,501,000), of which HK\$819,916,000 (31 December 2021: HK\$1,106,748,000) was utilised by the joint venture and HK\$641,585,000 (31 December 2021: HK\$354,753,000) was unutilised.

As at 30 June 2022 and 31 December 2021, the Group did not recognise any liabilities in respect of such corporate financial guarantee as the Directors consider that the fair value of this financial guarantee contract at their initial recognition and at end of the reporting period is insignificant.

17. EQUITY INSTRUMENTS AT FVTOCI

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Equity securities listed in Hong Kong and United States	192,029	262,021

The above listed equity investments represent ordinary shares of entities listed in Hong Kong and United States. These investments are not held for trading. Instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Details of the fair value measurement are disclosed in note 29.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. DEBT INSTRUMENTS AT FVTOCI

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Listed debt securities (Note)	363,174	1,312,573
Analysed for reporting purposes as:		
Current assets	191,739	617,397
Non-current assets	171,435	695,176
	363,174	1,312,573

Note: The listed debt securities include the securities which already matured, mature between September 2022 to January 2025 and perpetual with step-up feature (31 December 2021: already matured, mature between January 2022 to January 2025 and perpetual with step-up feature). The interest of those securities are fixed with a range from 3.8% to 12% (31 December 2021: 3.4% to 12%) per annum.

As at 30 June 2022, the Group's investments in listed debt securities with principal amount ranging from US\$1,500,000 to US\$66,000,000 (31 December 2021: US\$1,000,000 to US\$66,000,000) have been pledged as security for the bank borrowings (31 December 2021: pledged as security for the bank borrowings).

During the six months ended 30 June 2022, interest income generated from listed debt securities was HK\$18,057,000 (for the six months ended 30 June 2021: HK\$118,323,000) and fair value loss was HK\$242,211,000 (for the six months ended 30 June 2021: HK\$213,285,000), which were recognised in profit or loss and other comprehensive income respectively.

During the six months ended 30 June 2022, the Group disposed of/redeemed listed debt securities in an aggregate principal amount of US\$89,800,000 (equivalent to approximately HK\$704,732,000) (for the six months ended 30 June 2021: US\$107,320,000 (equivalent to approximately HK\$833,082,000)) on open market at a total consideration of HK\$695,697,000 (for the six months ended 30 June 2021: HK\$852,146,000), exclusive of transaction cost. During the six months ended 30 June 2022, gain on disposal of HK\$10,631,000 (for the six months ended 30 June 2021: HK\$10,652,000) has been recognised in profit or loss account.

Details of fair value measurement are disclosed in note 29 and impairment assessment are disclosed in note 20.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

19. FINANCIAL ASSETS AT FVTPL

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Unlisted investments		
— preferred shares (note)	7,848	7,797
— unit fund	42,632	40,349
	50,480	48,146
Analysed for reporting purposes as:		
Non-current assets	50,480	48,146

Note: The unlisted investments in preferred shares do not meet the requirement of equity instruments based on the terms and conditions of the shares. In addition, it does not represent solely payment for principal and interest of the principal amount outstanding, and it is therefore, measured at fair value through profit or loss.

Details of fair value measurement are disclosed in note 29.

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Impairment loss recognised on debt instruments at FVTOCI	93,143	103,236

In light of the current liquidity issue of PRC property developers, the management of the Group remains vigilant and continues to monitor closely the market situation, in particular to the credit ratings and market news of respective issuers, in reflecting a robust and timely expected credit loss ("ECL") assessment.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments.

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

The table below details the credit risk exposures of the Group's debt instruments at FVTOCI which are subject to ECL assessment:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL *(continued)*

	External credit rating	12m ECL or lifetime ECL	Gross carrying amount	
			30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Debt instruments at FVTOCI				
Listed debt instruments	Baa3 to Ba3 (31.12.2021: A2 to Baa3)	12m ECL	206,678	888,176
	Caa1 to Caa3 (31.12.2021: Ba2 to Caa)	Lifetime ECL (not credit-impaired)	34,255	218,794
	Caa2 to withdrawn rating (31.12.2021: Caa to withdrawn rating)	Lifetime ECL (credit-impaired)	122,241	205,603

The following tables show reconciliation of impairment loss that has been recognised for debt instruments at FVTOCI:

	12m ECL HK\$'000	Lifetime ECL (not credit-impaired) HK\$'000	Lifetime ECL (credit-impaired) HK\$'000	Total HK\$'000
As at 1 January 2021 (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	17,049	23,683	62,504	103,236
As at 30 June 2021 (unaudited)	18,233	32,117	62,919	113,269
Transfer to lifetime ECL (not credit-impaired)	8,434	(8,434)	—	—
Transfer to lifetime ECL (credit-impaired)	(8,434)	—	8,434	—
Impairment loss (reversed) recognised	(7,166)	(3,222)	608,170	597,782
As at 31 December 2021 (audited)	11,067	20,461	679,523	711,051
Transfer to lifetime ECL (credit-impaired)	—	(16,686)	16,686	—
Impairment loss (reversed) recognised	(10,748)	11,949	91,942	93,143
Exchange adjustments	3	184	6,713	6,900
As at 30 June 2022 (unaudited)	322	15,908	794,864	811,094

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

20. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL *(continued)*

	Notes	Six months ended 30 June 2022		
		Decrease in 12m ECL HK\$'000 (unaudited)	Decrease in lifetime ECL (not credit-impaired) HK\$'000 (unaudited)	Increase in lifetime ECL (credit-impaired) HK\$'000 (unaudited)
Change in probability of default and loss given default ratio for the debt instruments at FVTOCI with gross carrying amount of HK\$206,678,000	(i)	(10,748)	—	—
Significant increase in credit risk for the debt instruments at FVTOCI with gross carrying amount of HK\$34,255,000	(ii)	—	(4,737)	—
Debt instruments at FVTOCI with gross carrying amount of HK\$122,241,000 become credit-impaired	(iii)	—	—	108,628

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\$322,000 (31 December 2021: HK\$11,067,000) has been recorded in respect of the debt instruments at FVTOCI with gross carrying amount of HK\$206,678,000 (31 December 2021: HK\$888,176,000) based on 12m ECL, of which impairment loss of HK\$10,748,000 (for the six months ended 30 June 2021: HK\$17,049,000 recognised) has been reversed 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\$34,255,000 (31 December 2021: HK\$218,794,000). Accumulated impairment loss of HK\$15,908,000 (31 December 2021: HK\$20,461,000) has been recorded in respect of these listed debt instruments, of which impairment loss of HK\$11,949,000 (for the six months ended 30 June 2021: HK\$23,683,000) has been recognised in profit or loss during the current interim period.
- (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\$122,241,000 (31 December 2021: HK\$205,603,000) as credit-impaired. Accumulated impairment loss of HK\$794,864,000 (31 December 2021: HK\$679,523,000) has been recorded in respect of these listed debt instruments, of which impairment loss of HK\$91,942,000 (for the six months ended 30 June 2021: HK\$62,504,000) has been recognised in profit or loss during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Trade receivables (note i)	1,968	954
Accrued income	—	104
Deposit paid for acquisition of properties (note ii)	198,723	196,972
Deposits, prepayments and other receivables	22,928	47,580
	223,619	245,610
Analysed for reporting purposes as:		
Current assets	152,404	245,610
Non-current assets	71,215	—
	223,619	245,610

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 in August 2022 with total consideration of HK\$626,699,000.

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.

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

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
0 to 30 days	1,233	912
31 to 60 days	474	42
61 to 90 days	149	—
91 to 120 days	112	—
	1,968	954

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

22. 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 (collectively referred as "Green Charm") 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. Details of disposal are disclosed in note 30.

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 (collectively referred as "Glorious Creation") 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 Stock Exchange), an independent third party. The transaction was completed on 27 January 2022. Details of disposal are disclosed in note 30.

The assets and liabilities of Green Charm and Glorious Creation, 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 assets and liabilities of Green Charm and Glorious Creation classified as held for sale are as follows:

	31.12.2021 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	412,519
Other payables	303
Bank borrowings — due after one year	160,188
Liabilities associated with assets classified as held for sale	160,491

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

23. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

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

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
0 to 60 days	1,078	1,078
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
	200,898	247,968
Analysed for reporting purposes as:		
Current liabilities	131,387	243,983
Non-current liabilities	69,511	3,985
	200,898	247,968

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 the 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).

24. BANK BORROWINGS

	30.6.2022 HK\$'000 (unaudited)	31.12.2021 HK\$'000 (audited)
Secured	5,291,695	6,328,695
Unsecured	1,780,100	852,000
	7,071,795	7,180,695
Less: front-end fee	(55,328)	(66,888)
	7,016,467	7,113,807
Less: amounts due within one year shown under current liabilities	(1,450,223)	(1,278,785)
Amounts shown under non-current liabilities	5,566,244	5,835,022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

24. BANK BORROWINGS *(continued)*

During the current interim period, the Group repaid bank borrowings amounting to HK\$1,014,268,000 (for the six months ended 30 June 2021: HK\$3,280,589,000) and drew bank borrowings which carried interest at variable rates amounting to HK\$1,003,270,000 (for the six months ended 30 June 2021: HK\$3,032,164,000).

As at 31 December 2021, as disclosed in note 22, bank borrowings of HK\$160,188,000 have been classified as liabilities associated with assets classified as held for sale and is presented separately in the consolidated statement of financial position.

25. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
Authorised	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2021	642,238,726	64,224
Shares repurchased and cancelled (Note)	(40,116,000)	(4,012)
At 31 December 2021 and 30 June 2022	602,122,726	60,212

Note:

During the year ended 31 December 2021, the Company repurchased its ordinary shares on Stock Exchange as follows:

Month of repurchase	No. of ordinary shares repurchased	Price paid per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2021	1,620,000	8.48	8.28	13,683
June 2021	38,496,000	8.88	8.07	328,559

All of the shares repurchased were cancelled during the year ended 31 December 2021.

There was no share repurchased during the six months ended 30 June 2022.

26. DEFERRED TAXATION

The balance at the end of current interim period mainly represents deferred tax liabilities recognised on the fair value changes of the investment properties amounting to HK\$12,647,000 (31 December 2021: HK\$13,945,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

27. PLEDGE OF ASSETS

At the end of the current interim period, the Group had pledged the following assets to secure banking facilities granted to the Group:

- (a) Fixed charges on investment properties (included assets classified as held for sale) with an aggregate carrying value of HK\$6,611,182,000 (31 December 2021: HK\$7,448,284,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- (b) Fixed charges on hotel properties with an aggregate carrying value of HK\$536,162,000 (31 December 2021: HK\$546,160,000) together with a floating charge over all the assets of the property owning subsidiaries and benefits accrued to the hotel properties.
- (c) Pledged bank deposits (included assets classified as held for sale) of HK\$61,148,000 (31 December 2021: HK\$60,270,000).
- (d) Debt instruments at FVTOCI of HK\$194,753,000 (31 December 2021: HK\$1,312,573,000).

28. RELATED PARTY DISCLOSURES

Other than as disclosed in note 14 and elsewhere in these condensed consolidated financial statements, the Group had no other transactions and balances with related parties.

The remuneration of the Directors who are the Group's key management personnel during the current interim period amounting to HK\$10,510,000 (for the six months ended 30 June 2021: HK\$10,111,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The management determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors to explain the cause of fluctuations in the fair values of the assets and liabilities.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 30 June 2022 HK\$'000 (unaudited)	At 31 December 2021 HK\$'000 (audited)		
Listed equity securities classified as equity instruments at FVTOCI	171,255	262,021	Level 1	The fair value is quoted price in an active market.
Listed equity securities classified as equity instruments at FVTOCI	20,774	—	Level 3	The fair value is determined with reference to the comparable approach. Comparable approach determines the fair value with reference to the market value of the similar listed comparable adjusted by revaluation of certain underlying assets and discount for lack of marketability.
Listed debt securities classified as debt instruments at FVTOCI	363,174	1,312,573	Level 1	The fair value is quoted price in an active market.

Fair value gains or losses on financial assets at FVTPL are included in "other gains and losses".

There were no transfers between Level 1, 2 and 3 during the period, except for a listed equity security who has transferred from level 1 to level 3 as at 30 June 2022 as the listed stock has been suspended for trading in Stock Exchange since 21 March 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

29. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except mentioned above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their corresponding fair values.

The fair values of the financial assets and financial liabilities above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

30. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2022, the Group has completed the disposal of Green Charm and Glorious Creation.

The net assets of Green Charm and Glorious Creation at the date of disposal were as follows:

	HK\$'000
Net assets disposed of	408,170
Total consideration	
Satisfied by:	
Cash	408,170

Disposal-related costs amounting to HK\$12,985,000 had been recognised as an expense in the period within the "other expenses" line item in the condensed consolidated statement of profit or loss.

Assets derecognised at the date of disposal

	HK\$'000
Investment property	408,000
Rental deposits, prepayment and other receivable	170
	408,170

Net cash inflows arising on disposal

	HK\$'000
Consideration received	408,170

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

31. CAPITAL COMMITMENTS

	30.6.2022 HK\$'000	31.12.2021 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements:		
— acquisition of properties	578,281	—
— redevelopment of investment properties	4,912	1,641
— investment fund contribution	20,150	21,501
	603,343	23,142

GLOSSARY

In this interim report, unless the context otherwise requires, the following expression shall have the following meanings:

"Ambleside Glory"	Ambleside Glory Limited, a company incorporated in the British Virgin Islands with limited liability;
"Audit Committee"	the audit committee of the Company;
"Board"	the board of Directors;
"CG Code"	the Corporate Governance Code;
"Chairman"	the chairman of the Board;
"Chief Executive"	the chief executive of the Company;
"Chief Financial Officer"	the chief financial officer of the Company;
"Company" or "SEA"	S E A Holdings Limited is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 251);
"Deloitte"	Deloitte Touche Tohmatsu, Certified Public Accountants;
"Director(s)"	the director(s) of the Company;
"Executive Director(s)"	the executive Director(s);
"ESG"	environmental, social and governance;
"Group" or "SEA Group"	the Company and its subsidiaries;
"HK\$"	the lawful currency of Hong Kong for the time being;
"HKAS"	Hong Kong Accounting Standards;
"HKFRS"	Hong Kong Financial Reporting Standards;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Non-executive Director(s)" or "INED"	the independent non-executive Director(s);
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"NLI"	Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;
"Nomination Committee"	the nomination committee of the Company;

GLOSSARY

"NYH"	NYH Limited, an exempted company incorporated in Bermuda with limited liability;
"Port Lucky"	Port Lucky Limited, a company incorporated in the British Virgin Islands with limited liability;
"PRC" or "Mainland" or "China"	The People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"SEA Fortune"	SEA Fortune Ventures Limited, a company incorporated in the British Virgin Islands with limited liability;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholders"	the shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"US\$"	United States dollars, the lawful currency of the United States of America.

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