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S E A HOLDINGS LIMITED

爪哇控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 251)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

HIGHLIGHTS

For the period ended 30 June 2020

- Revenue: HK\$315.1 million (2019: HK\$433.9 million), 27% decrease
- Profit attributable to the shareholders of the Company: HK\$56.0 million (2019: HK\$93.5 million), 40% decrease
- Net asset value (“NAV”) and NAV per share of the Group attributable to the shareholders of the Company as at 30 June 2020: HK\$11,149.1 million and HK\$16.8 respectively[#].

[#] *The NAV is calculated on the basis of the Group’s book NAV of HK\$6,125.3 million after adjusting Hotel property (which is on cost basis in the book) to fair market value determined by independent property valuers.*

** For identification purpose only*

UNAUDITED RESULTS

The board of directors (the “**Board**”) of S E A Holdings Limited (the “**Company**”) announces the unaudited consolidated financial results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures of 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	5		
— Renting of investment properties		104,210	100,610
— Hotel operation		21,420	119,163
— Return from financial investment — interest income		189,515	214,087
Total revenue		315,145	433,860
Other income	6	2,023	5,079
Costs:			
Property and related costs	7	(2,639)	(1,203)
Staff costs		(38,888)	(61,870)
Depreciation and amortisation		(18,468)	(19,728)
Other expenses		(30,105)	(50,476)
		(90,100)	(133,277)
Profit before fair value changes on investment properties, impairment loss and other gains and losses		227,068	305,662
Fair value changes on investment properties		39,191	(1,989)
Profit after fair value changes on investment properties		266,259	303,673
Other gains and losses	8	(32,053)	12,733
Share of result of a joint venture		(28)	(21)
Impairment loss recognised on a listed debt instrument at fair value through other comprehensive income	13	—	(10,041)
Finance costs	9	(162,923)	(204,734)
Profit before taxation		71,255	101,610
Income tax expense	10	(15,300)	(8,119)
Profit for the period		55,955	93,491

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		HK cents	HK cents
		(unaudited)	(unaudited)
Earnings per share for profit attributable to the Company's shareholders			
– Basic		<u><u>8.4</u></u>	<u><u>14.1</u></u>
– Diluted		<u><u>8.4</u></u>	<u><u>14.1</u></u>
<i>Earnings per share excluding fair value changes on investment properties net of deferred tax</i>			
	12		
– Basic		<u><u>2.8</u></u>	<u><u>14.4</u></u>
– Diluted		<u><u>2.8</u></u>	<u><u>14.4</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period		55,955	93,491
Other comprehensive (expense) income:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Fair value (loss) gain on debt instruments at fair value through other comprehensive income		(99,910)	44,006
Exchange differences arising on translation of foreign operations		(86,037)	8,239
Impairment loss recognised on a listed debt instrument at fair value through other comprehensive income	13	–	10,041
Reclassification to profit or loss upon disposal/redemption of debt instruments at fair value through other comprehensive income	8	24,530	6
		(161,417)	62,292
Total comprehensive (expense) income for the period		(105,462)	155,783

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

		At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Non-current assets			
Investment properties		6,883,869	7,313,892
Property, plant and equipment		633,715	650,003
Investment in a joint venture		1,123,469	1,114,627
Debt instruments at fair value through other comprehensive income		3,202,819	3,153,121
Financial assets at fair value through profit or loss		15,502	280,325
Pledged bank deposits		13,000	16,512
Other assets		6,869	6,899
		<u>11,879,243</u>	<u>12,535,379</u>
Current assets			
Inventories		901	1,020
Debt instruments at fair value through other comprehensive income		1,332,055	2,447,346
Financial assets at fair value through profit or loss		263,520	–
Trade and other receivables, deposits and prepayments	14	51,793	44,468
Tax recoverable		–	1
Pledged bank deposits		30,768	482,525
Bank balances and cash		4,365,700	5,027,037
		<u>6,044,737</u>	<u>8,002,397</u>
Current liabilities			
Payables, rental deposits and accrued charges	15	184,123	226,980
Bank borrowings – due within one year		4,519,751	5,765,168
Lease liabilities		10,473	10,323
Guaranteed notes		–	1,557,139
Tax liabilities		24,298	23,860
		<u>4,738,645</u>	<u>7,583,470</u>
Net current assets		<u>1,306,092</u>	<u>418,927</u>
Total assets less current liabilities		<u><u>13,185,335</u></u>	<u><u>12,954,306</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 30 June 2020

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Capital and reserves		
Share capital	66,229	66,229
Reserves	<u>6,059,028</u>	<u>6,184,158</u>
Total equity	<u>6,125,257</u>	<u>6,250,387</u>
Non-current liabilities		
Lease liabilities	181,056	197,580
Bank borrowings – due after one year	5,671,467	5,294,791
Guaranteed notes	1,156,931	1,161,220
Deferred taxation	<u>50,624</u>	<u>50,328</u>
	<u>7,060,078</u>	<u>6,703,919</u>
Total equity and non-current liabilities	<u><u>13,185,335</u></u>	<u><u>12,954,306</u></u>

Notes:

1. BASIS OF PREPARATION

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

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. On the other hand, the Hong Kong government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and segment profits generated from hotel operations.

3. 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 in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements has had no material impact in the current interim period.

3. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

Application of amendments to HKFRSs *(Continued)*

Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no further related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

4. **SEGMENT INFORMATION**

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

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

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

4. SEGMENT INFORMATION *(Continued)*

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

Segment revenues and results

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

For the six months ended 30 June 2020 (unaudited)

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External revenue	<u>–</u>	<u>104,210</u>	<u>21,420</u>	<u>189,515</u>	<u>315,145</u>
SEGMENT RESULTS					
Segment profit (loss)	<u>–</u>	<u>136,872</u>	<u>(17,985)</u>	<u>164,248</u>	283,135
Unallocated interest income					177
Corporate income less expenses					(49,106)
Share of result of a joint venture					(28)
Finance costs					<u>(162,923)</u>
Profit before taxation					<u>71,255</u>

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended 30 June 2019 (unaudited)

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External revenue	<u>–</u>	<u>100,610</u>	<u>119,163</u>	<u>214,087</u>	<u>433,860</u>
SEGMENT RESULTS					
Segment profit	<u>–</u>	<u>100,531</u>	<u>34,063</u>	<u>234,760</u>	369,354
Unallocated interest income					115
Corporate income less expenses					(63,104)
Share of result of a joint venture					(21)
Finance costs					<u>(204,734)</u>
Profit before taxation					<u>101,610</u>

Segment profit of the property investment division for the six months ended 30 June 2020 included an increase in fair value of investment properties of HK\$39,191,000 (for the six months ended 30 June 2019: a decrease in fair value of investment properties of HK\$1,989,000).

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

The Group does not allocate interest income generated from bank deposits, corporate income less expenses, share of result of a joint venture 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.

5. REVENUE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Renting of investment properties (<i>note i</i>)	104,210	100,610
Hotel operation (<i>note ii</i>)	21,420	119,163
Return from financial investment – interest income (<i>note iii</i>)	189,515	214,087
	315,145	433,860

Notes:

- i. Included in revenue generated from renting of investment properties, amounting of HK\$104,052,000 (for the six months ended 30 June 2019: HK\$100,351,000) is income from leasing of investment properties under operating lease that the lease payments are fixed or depend on an index or a rate.
- ii. For the six months ended 30 June 2020, revenue from hotel operation, which arises from contracts with customers comprises of (i) HK\$12,272,000 (for the six months ended 30 June 2019: HK\$92,290,000) for hotel room revenue recognised over time and based on output method; (ii) HK\$3,707,000 (for the six months ended 30 June 2019: HK\$20,859,000) for revenue from food and beverage sales and HK\$5,441,000 (for the six months ended 30 June 2019: HK\$6,014,000) for revenue from ancillary service are recognised at point in time.
- iii. Return from financial investment – interest income represents interest revenue derived from listed and unlisted securities and time deposits.

6. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest earned on bank deposits	177	115
Others	1,846	4,964
	2,023	5,079

7. PROPERTY AND RELATED COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Selling and marketing expenses	114	609
Direct operating expenses on investment properties	2,525	594
	2,639	1,203

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Gain on disposal of an investment property	–	6,375
Net exchange loss	(7,523)	(24,928)
Fair value gain on financial assets at fair value through profit or loss	–	31,292
Loss on early redemption of debt instruments at fair value through other comprehensive income	–	(6)
Loss on disposal on debt instruments at fair value through other comprehensive income	(24,530)	–
	<u>(32,053)</u>	<u>12,733</u>

9. FINANCE COSTS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Bank borrowings		
Interest on bank borrowings	116,280	122,276
Amortisation of bank borrowings front-end fee	6,600	8,622
	<u>122,880</u>	<u>130,898</u>
Guaranteed notes		
Interest on guaranteed notes	31,669	63,423
Amortisation of guaranteed notes issue costs	1,332	3,424
	<u>33,001</u>	<u>66,847</u>
Lease liabilities		
Interest on lease liabilities	3,943	3,737
Other charges	3,099	3,252
	<u>162,923</u>	<u>204,734</u>

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	2,863	2,933
Australia	1,639	1,736
The United Kingdom	5,859	5,594
	<u>10,361</u>	<u>10,263</u>
Under (over) provision in prior years		
Hong Kong Profits Tax	2,950	1,561
The United Kingdom	–	(6,551)
	<u>2,950</u>	<u>(4,990)</u>
	<u>13,311</u>	<u>5,273</u>
Deferred tax	1,989	2,846
	<u>15,300</u>	<u>8,119</u>

11. DIVIDENDS

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Dividends recognised as a distribution during the period:		
Final dividend for the year ended 31 December 2019 of HK3 cents per share (2019: final dividend for the year ended 31 December 2018 of HK3 cents per share)	<u>19,869</u>	<u>19,866</u>

Subsequent to the end of the current interim period, the directors of the Company have declared that an interim dividend of HK2 cents per share amounting to HK\$13,245,775 in aggregate (for the six months ended 30 June 2019: HK2 cents per share amounting to HK\$13,244,000 in aggregate) will be paid to the shareholders of the Company whose names appear on the register of members of the Company on 30 September 2020.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to the Company's shareholders	<u>55,955</u>	<u>93,491</u>
	Number of shares	
	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	662,288,726	662,129,997
Effect of dilutive potential ordinary shares options	<u>–</u>	<u>161,943</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>662,288,726</u>	<u>662,291,940</u>

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to the Company's shareholders as shown in the condensed consolidated statement of profit or loss	55,955	93,491
Fair value changes on investment properties, net of deferred tax	<u>(37,690)</u>	<u>1,989</u>
Adjusted profit attributable to the Company's shareholders	<u>18,265</u>	<u>95,480</u>
Earnings per share excluding fair value changes on investment properties net of deferred tax		
Basic	<u>HK2.8 cents</u>	<u>HK14.4 cents</u>
Diluted	<u>HK2.8 cents</u>	<u>HK14.4 cents</u>

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Impairment loss recognised on a listed debt instrument at fair value through other comprehensive income	<u>–</u>	<u>10,041</u>

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the current interim period, no further impairment allowance (for the six months ended 30 June 2019: HK\$10,041,000) has been provided.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade receivables – hotel operation	233	1,660
Trade receivables – renting of investment property	3,371	–
Accrued income	1,718	2,086
Deposits, prepayments and other receivables	<u>46,471</u>	<u>40,722</u>
	<u>51,793</u>	<u>44,468</u>

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

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

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
0 to 30 days	2,165	1,654
31 to 60 days	<u>1,439</u>	<u>6</u>
	<u>3,604</u>	<u>1,660</u>

15. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)
Trade payables	147	1,411
Rental deposits	7,407	11,053
Rental received in advance	40,103	43,932
Other payables, other deposits and accrued charges	107,511	103,266
Interest payables	28,955	67,318
	<u>184,123</u>	<u>226,980</u>

Trade payable aged within 30 days (31 December 2019: 30 days) based on invoice date.

Rental deposits to be refunded after twelve months from the end of the reporting period based on the respective lease terms amounted to HK\$4,590,000 at 30 June 2020 (31 December 2019: HK\$7,589,000).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents (for the six months ended 30 June 2019: HK2 cents) per share for the six months ended 30 June 2020 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Wednesday, 30 September 2020. The relevant dividend warrants are expected to be despatched on or before Friday, 16 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 September 2020 to Wednesday, 30 September 2020 (both days inclusive) during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all duly completed and stamped transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrar in Hong Kong, Tricor Standard Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 24 September 2020.

DISCUSSION AND ANALYSIS

Financial Summary

Revenue for the six months ended 30 June 2020 amounted to HK\$315.1 million (2019: HK\$433.9 million). The revenue was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and income from financial investment.

Profit for the six months ended 30 June 2020 amounted to HK\$56.0 million (2019: HK\$93.5 million). The decrease in the current period was mainly due to decrease in return from hotel operation.

Profit attributable to the Company's shareholders for the six months ended 30 June 2020 amounted to HK\$56.0 million (2019: HK\$93.5 million), equivalent to a basic earnings per share of HK8.4 cents (2019: HK14.1 cents).

The reported profit attributable to the Company's shareholders included a revaluation surplus on investment properties net of deferred taxation of HK\$37.7 million (2019: revaluation deficit HK\$2.0 million). By excluding the effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK\$18.3 million (2019: HK\$95.5 million), equivalent to HK2.8 cents (2019: HK14.4 cents) per share.

As at 30 June 2020, the Group's equity attributable to the Company's shareholders amounted to HK\$6,125.3 million (31 December 2019: HK\$6,250.4 million). The net asset value per share attributable to the Company's shareholders as at 30 June 2020 was HK\$9.3 as compared with HK\$9.4 as at 31 December 2019.

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

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Hong Kong	4,210.1	4,365.2
United Kingdom	4,263.4	4,542.3
Australia	153.1	156.1
Total	<u>8,626.6</u>	<u>9,063.6</u>

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK\$576.2 million (31 December 2019: HK\$586.2 million), whereas the market value as at 30 June 2020 as determined by an independent professional market valuation is HK\$5,600.0 million (31 December 2019: HK\$5,900.0 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 2020, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Company's shareholders would be HK\$13,650.4 million (31 December 2019: HK\$14,377.4 million), HK\$11,149.1 million (31 December 2019: HK\$11,564.2 million) and HK\$16.8 (31 December 2019: HK\$17.5) respectively.

Business Review

Property Investment and Development

The Group continues to focus on property development and property investment projects, but has not committed to limit its sphere of activities solely to outside the PRC or to property related development and investments. The strategy of the Group will be determined by the board of directors of the Company taking into consideration market opportunities, the Group's financial resources and its core competence. It is the Group's approach to review and optimize the project portfolios from time to time. Currently, the Group's core projects mainly consist of a residential project in Hong Kong (No. 1 Shouson Hill Road East), an investment property in Hong Kong (a portion of Winway Building) and a joint venture residential development project (West Kowloon Waterfront) in Hong Kong, two investment properties in London, the United Kingdom (20 Moorgate and 33 Old Broad Street) and an investment property in Australia (Lizard Island).

Hong Kong

The Group owns a portion of commercial property of Winway Building at No. 50 Wellington Street, Central, Hong Kong as investment property. The occupancy rate of Winway Building as at 30 June 2020 was 84% and rental income generated from the property for the six months ended 30 June 2020 was HK\$9.3 million.

The Group, as part of the consortium comprised of well-known property developers, is developing the urban waterfront residential project "Grand Victoria" at West Kowloon. The site is being developed into a premium-graded residential project with walking distance to MTR. Superstructure work is in progress as scheduled and the development is expected to be completed by 2022. Pre-sale of the residential units is tentative in the fourth quarter this year.

The Group owns residential properties at Shouson Hill Road East, Hong Kong as investment properties. The renovation works are to be completed in 2020 by phases.

United Kingdom

The Group owns two investment properties in the United Kingdom, namely, (i) an office building at 33 Old Broad Street, London, EC 2; and (ii) an office building at 20 Moorgate, London, EC2R 6DA.

The revenue generated from these investment properties in the United Kingdom for the six months ended 30 June 2020 was HK\$87.2 million (2019: HK\$92.4 million).

Australia

Revenue generated from the property investment project in Australia for the six months ended 30 June 2020 was HK\$7.4 million (2019: HK\$7.8 million).

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is operated under the brand of Crowne Plaza of the InterContinental Hotels Group. Its revenue and operating results in 2020 first half dropped significantly as compared with the same period in 2019, which was resulted from the COVID-19 outbreak during the period. The hotel will strive to implement cost saving measures and gain further market share in the challenging market conditions.

Financial Investment

As at 30 June 2020, the Group held financial investment of approximately HK\$4,813.9 million (31 December 2019: HK\$5,880.8 million), which are comprised of listed debt securities and unlisted investments.

Financial Resources and Liquidity

Working Capital and Loan Facilities

As at 30 June 2020, the Group's total pledged bank deposits, bank balances and cash was HK\$4,409.5 million (31 December 2019: HK\$5,526.1 million), total financial investments (including debt instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss) were HK\$4,813.9 million (31 December 2019: HK\$5,880.8 million) and unutilised facilities were HK\$2,043.0 million (31 December 2019: HK\$2,412.4 million).

As at 30 June 2020, the Group's bank borrowings was HK\$10,191.2 million (31 December 2019: HK\$11,060.0 million) and the guaranteed notes was HK\$1,156.9 million (31 December 2019: HK\$2,718.4 million). After netting off the bank balance, cash and the financial investments, the Group had a net debt position of HK\$2,124.7 million (31 December 2019: HK\$2,371.5 million) with gearing ratio of 15.6% (31 December 2019: 16.5%) (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 2019: HK\$5,900.0 million)).

As at 30 June 2020, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	30 June 2020 HK\$ million	31 December 2019 HK\$ million
Due		
Within 1 year	4,525.9	7,327.3
1-2 years	1,319.8	1,382.7
3-5 years	5,541.1	5,109.2
	11,386.8	13,819.2
Less: Unamortised front-end fee and Notes issued expenses	(38.7)	(40.9)
	11,348.1	13,778.3

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank borrowings drawn as at 30 June 2020 amounted to HK\$7,610.9 million (31 December 2019: HK\$8,303.2 million) which comprised of secured bank borrowings of HK\$5,076.4 million (31 December 2019: HK\$6,144.2 million) and unsecured bank borrowings of HK\$2,534.5 million (31 December 2019: HK\$2,159.0 million). The secured bank borrowings were secured by properties valued at HK\$3,027.2 million (31 December 2019: HK\$2,330.2 million), listed debt securities of HK\$3,826.9 million (31 December 2019: HK\$4,891.5 million) and pledged cash of HK\$43.8 million (31 December 2019: HK\$499.0 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK\$4,416.5 million (31 December 2019: HK\$4,698.5 million) to secure bank borrowings of HK\$2,613.3 million (31 December 2019: HK\$2,790.7 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 30 June 2020, all of the Group's borrowings except the guaranteed notes were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

Staff and Emolument Policy

As at 30 June 2020, the Group had a total of 135 employees (2019: 236 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$38.9 million for the period ended 30 June 2020 (2019: HK\$61.9 million).

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

Outlook

Over the past eight months, outbreak of COVID-19 has become one of the most significant global threats. Number of COVID-19 cases and death tolls is unprecedented high. Over 200 countries have been affected. To fight against the coronavirus pandemic, most countries have introduced various measures, including lockdown, travel restrictions, social distancing measures and closure of business. A wide range of economic activities and supply chains suddenly collapsed. In addition, tensions between U.S. and China escalated sharply in the past few months. The global economy has been facing huge challenges. Although governments of many countries have rolled out substantial government relief packages, the global economy is now facing a deep recession. As there is no clear end for the coronavirus and the intense US-China relationship, the outlook is highly uncertain. It is generally expected that a sharp contraction will persist until a COVID-19 vaccine is widely available.

2020 so far was harsh for China. COVID-19 outbreak and the strict containment measures seriously hurt China in the first quarter. Economic activity experienced the sharpest quarterly fall on record. In the second quarter, although COVID-19 epidemic was effectively contained and many economic activities have gradually resumed, resumption of service sectors, especially catering, hospitality and entertainment sectors, has delayed amid worries of a new wave of coronavirus epidemic and cautious consumer sentiment. The economy only bounced back to growth with an expansion of 3.2%. In spite of the recovery in the second quarter, the latest heightened US-China tension hit corporate sentiment and clouded China's prospect again. It is expected that subdued domestic and external demands will weigh on the recovery which is expected to be slow.

Hong Kong economy has already been hard hit by months of political unrest in 2019. Since January 2020, Hong Kong has become a risk area of COVID-19 outbreak. Though Hong Kong government has rolled out a series of relief measures of unprecedented scale, local economy shrank sharply in the first half of 2020. After two consecutive quarters of negative GDP in 2019, Hong Kong's GDP further contracted in 2020. The recession has already lasted a year. In addition, Hong Kong faced a third wave of infections in July. Coronavirus spread at unprecedented alarming rates. In response, local government imposed the tightest measures to mitigate the COVID-19, including tightening gathering restrictions, closure of some venues and prohibition of dining-in at restaurants. The economic activities were adversely disrupted again. Together with the worsening US-China trade relation, it is expected that Hong Kong economy will remain weak for the rest of the year.

Property market was volatile in the first half of 2020. In the first quarter, due to the lack of a clear direction, the economic downturn and the rising unemployment rates, the property market has quietened down. It has slightly rebounded since late April as the local pandemic situation was better contained. Nevertheless, under the current low interest rate environment and persistent strong demand, it is expected that the property market will recover quickly once the COVID-19 situation improves and business activities return to normal. In the long term, the property sector is still expected to be resilient.

Hospitality is one of the industries which were hit hardest in the COVID-19 health crisis. The containment, including quarantine measures and closure of border checkpoints, has adversely struck the inbound tourism and business travel in Hong Kong. Number of overnight visitors dramatically decreased by 91% in the first half of 2020, compared to the same period last year. Together with limitation in restaurants' seating capacity, a grim hospitality performance was recorded. Hotel occupancy rate and room rate dropped drastically. It is expected that the hotel business will continue to face a severe situation until local epidemic is kept under control and the entry restrictions are eased.

United Kingdom is one of the countries which were seriously attacked by COVID-19 in early stage. To battle against the pandemic, a nationwide lockdown was set in place, consequently putting the economy in the midst of a severe economic downturn in the first quarter and the second quarter will be even worse. In the first half of 2020, demand for office space has dropped markedly and deals execution has slowed noticeably down. Notwithstanding that the lockdown has been gradually eased, it is expected that the recovery will take some time. Nonetheless, we believe that, supported by strong covenant and reputable tenants, the impact of COVID-19 on value of our properties in the United Kingdom will be minimal.

2020 will not only be a challenging year but also a beginning of a close to zero interest rate era. Over its long history SEA Group has witnessed the economic turbulence and social upheavals in Hong Kong and the world. Throughout the years, the Group had weathered these storms with equanimity. Our Group has been monitoring the global and local economy development and performed prudent risk and crisis management over the Group's financial liquidity and investment and property portfolio. With the Group's professional management team, robust financial capabilities, quality corporate governance and adherence to its philosophy of "Building with the Times", we are confident that our Group will withstand the current market instability and grow as opportunities arise.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

During the period for the six months ended 30 June 2020, the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have not been audited but have been reviewed by the audit committee of the Company and by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF INTERIM REPORT

The 2020 Interim Report of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.seagroup.com.hk) in September 2020.

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

Hong Kong, 25 August 2020

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

Executive Directors:

Mr. Lu Wing Chi, Jesse (*Chairman*)

Mr. Lambert Lu (*Chief Executive*)

Non-executive Directors:

Mr. Lam Sing Tai

Mr. Lincoln Lu

Independent Non-executive Directors:

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

Mr. Chan Kwok Wai