



INTERIM REPORT 中期報告 2020

Stock Code 股份代號: 251



爪哇集團
SEA Group

DIRECTORY

DIRECTORS

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

AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)

Mr. Walujo Santoso, Wally

Mr. Chung Pui Lam

Mr. Chan Kwok Wai

NOMINATION COMMITTEE

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

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

REMUNERATION COMMITTEE

Mr. Chung Pui Lam (*Chairman*)

Mr. Lu Wing Chi, Jesse

Mr. Lambert Lu

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

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

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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BRANCH REGISTRAR IN HONG KONG

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Fax: (852) 2528 3158

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

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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

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 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 an independent property valuer.

PROPERTY PORTFOLIO

At 30 June 2020

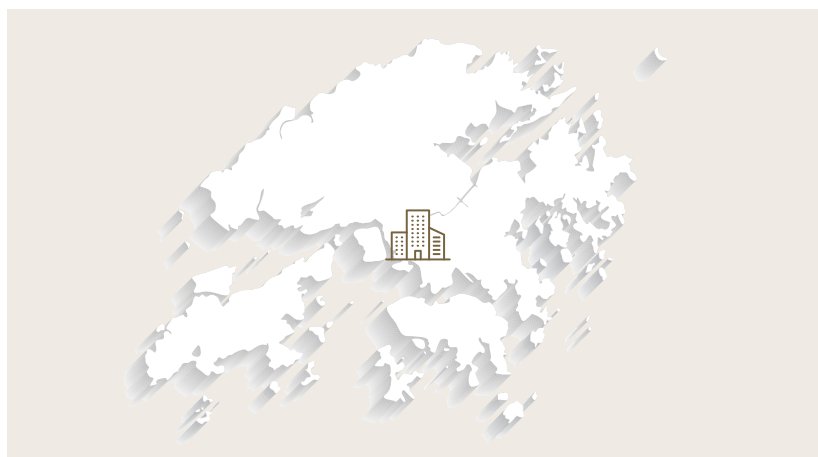
Grand Victoria (New Kowloon Inland Lot No. 6549, West Kowloon)

Hong Kong



NKIL 6549, West Kowloon Waterfront Residential Development, Hong Kong

Located at the West Kowloon waterfront, this 208,200 square feet site is a joint venture project with several developers. The location enjoys excellent connectivity with the MTR station providing seamless linkages with Central, the airport, the high-speed rail terminus as well as most of the commercial districts in the region. The project will be developed as a premium waterfront property, compliment with various green architectural features and smart home provisions.



Location

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

The provisional street number is subject to confirmation when the Development is completed.

Usage

Residential

Stage of Completion

Construction works in progress

Approximate Gross Area

1,000,000 sq.ft.

Mode of Development

Joint Venture (the Group holds 10% interest)

PROPERTY PORTFOLIO

At 30 June 2020

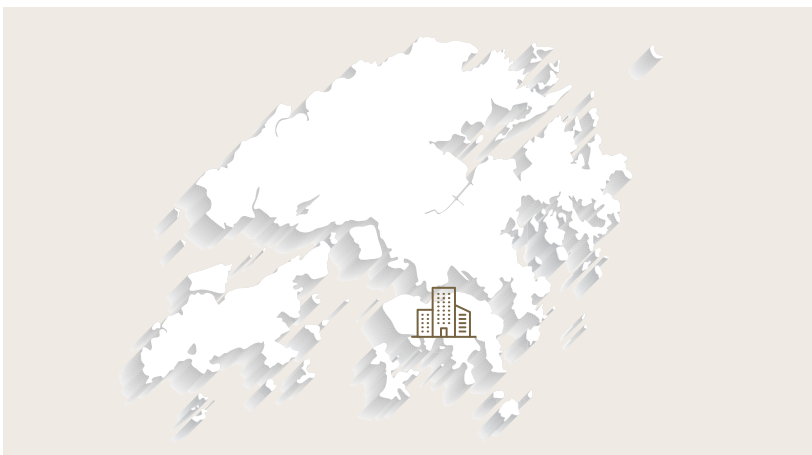
1 Shouson Hill Road East

Hong Kong



Artist's impression of the Clubhouse of 1 Shouson Hill Road East, Hong Kong

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 Central and Causeway Bay by just a few minutes of driving. The development 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. The property has a brand new club house with outdoor heated swimming pool, gym room, banquet room and children playground.



Location

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

Usage

Residential

Lease Expiry

30 June 2047

Stage of Completion

Renovation works in progress

Approximate Saleable Area

30,000 sq.ft.

Ownership Status

Wholly-owned 10 houses,
each with 2 carparking spaces

PROPERTY PORTFOLIO

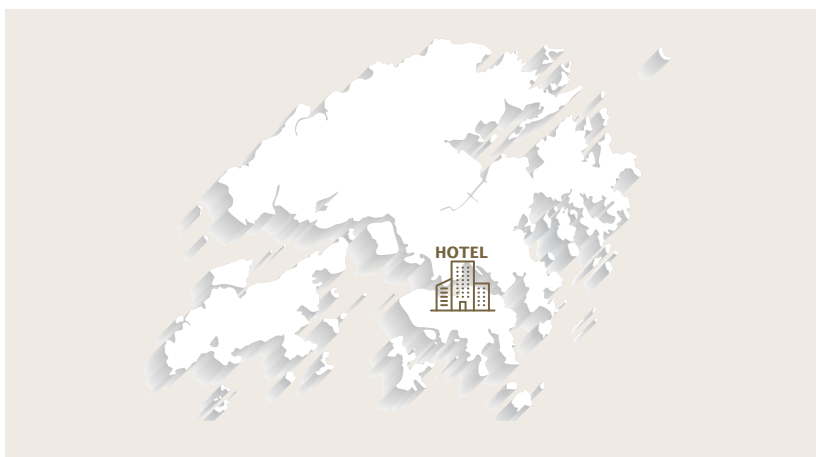
At 30 June 2020

Crowne Plaza Hong Kong Causeway Bay

Hong Kong



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 travellers. Crowne Plaza Hong Kong Causeway Bay's 263 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 travellers around the world.



Location

8 Leighton Road,
Causeway Bay, Hong Kong

Usage

Hotel

Lease Expiry

6 November 2049

Approximate Gross Area

200,000 sq.ft.

Ownership Status

Wholly-owned

PROPERTY PORTFOLIO

At 30 June 2020

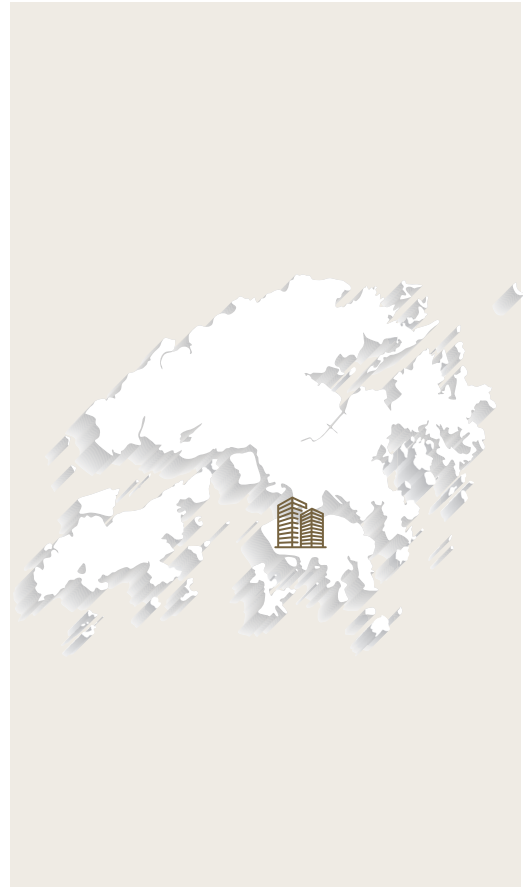
Winway Building

Hong Kong



Winway Building, Hong Kong

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.



Location

50 Wellington Street,
Central, Hong Kong

Usage

Commercial

Lease Expiry

999 years commencing
from 26 June 1843

Approximate Gross Area

58,207 sq.ft.

Ownership Status

58.83 % owned

PROPERTY PORTFOLIO

At 30 June 2020

33 Old Broad Street, London

United Kingdom



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. Moreover, 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. The property is currently leased to Bank of Scotland as their London Headquarter.



Location

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

Usage

Office

Lease Expiry

Freehold

Approximate Gross Area

191,165 sq.ft.

Ownership Status

Wholly-owned

PROPERTY PORTFOLIO

At 30 June 2020

20 Moorgate, London

United Kingdom



20 Moorgate, London, United Kingdom

The property 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).



Location

20 Moorgate,
London EC2R 6DA,
United Kingdom

Usage

Office

Lease Expiry

Long lease

Approximate Gross Area

155,000 sq.ft.

Ownership Status

Wholly-owned

PROPERTY PORTFOLIO

At 30 June 2020

Lizard Island Resort, Queensland Australia



Lizard Island Resort, Queensland, Australia

Lizard Island Resort is an island resort uniquely located on the Great Barrier Reef, 240 kilometers north of Cairns, Australia. It provides 40 luxurious beach lodges and is surrounded by 24 powdery-white beaches and over 1,000 hectares of national park. Lizard Island is recognized as one of the luxurious island resorts of the world.



Location

Lizard Island,
Tropical North,
Queensland, Australia

Usage

Resort Hotel

Lease Expiry

30 September 2050

Approximate Gross Area

113,000 sq.ft.

Ownership Status

Wholly-owned

CHAIRMAN'S STATEMENT



Artist's impression of the Clubhouse of 1 Shouson Hill Road East, Hong Kong

I present the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 to the Shareholders.

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 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 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 Shareholders was HK\$18.3 million (2019: HK\$95.5 million), equivalent to HK2.8 cents (2019: HK14.4 cents) per share.

CHAIRMAN'S STATEMENT

As at 30 June 2020, the Group's equity attributable to the 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 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	8,626.6	9,063.6

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 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.

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 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.

CHAIRMAN'S STATEMENT

Business Review

Property Investment and Development

The Group continues to focus on property development and property investment projects, but has not committed to limit its sphere of activities solely to outside the PRC or to property related development and investments. The strategy of the Group will be determined by the Board taking into consideration market opportunities, the Group's financial resources and its core competence. It is the Group's approach to review and optimize the project portfolios from time to time. Currently, the Group's core projects mainly consist of a residential project in Hong Kong (No. 1 Shouson Hill Road East), an investment property in Hong Kong (a portion of Winway Building) and a joint venture residential development project (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.



NKIL 6549, West Kowloon Waterfront Residential Development, Hong Kong

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).

CHAIRMAN'S STATEMENT

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.



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

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)).

CHAIRMAN'S STATEMENT



33 Old Broad Street, London, United Kingdom

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 issue expenses	(38.7)	(40.9)
	11,348.1	13,778.3

CHAIRMAN'S STATEMENT

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 the Directors) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.



Lizard Island Resort, Queensland, Australia

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 the Directors) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.

CHAIRMAN'S STATEMENT

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 activities 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.



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

CHAIRMAN'S STATEMENT

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 down noticeably. 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 performing 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.



20 Moorgate, London, United Kingdom

Lu Wing Chi, Jesse
Chairman

Hong Kong, 25 August 2020

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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.

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 2020.

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 these employees 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 2020, 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			Total interests	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)		
Lu Wing Chi, Jesse	—	446,392,255 ⁽ⁱ⁾	—	446,392,255	67.40
Lambert Lu	1,000,000	338,779,740 ⁽ⁱⁱ⁾	—	339,779,740	51.30
Lam Sing Tai	4,493,030	—	7,558	4,500,588	0.68
Lincoln Lu	24,438,162	—	—	24,438,162	3.69
Walujo Santoso, Wally	1,680,400	—	—	1,680,400	0.25
Leung Hok Lim	2,545,574	—	—	2,545,574	0.38
Chung Pui Lam	894,800	—	—	894,800	0.14
Chan Kwok Wai	—	—	—	—	—

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 20). 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 2020 was 662,288,726 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 2020, 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 2020, so far as is known to the Directors, the following substantial Shareholders and other persons (other than the 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	51.15
Ambleside Glory	78,548,387	—	78,548,387	11.86
NYH	—	107,612,515 ⁽ⁱⁱ⁾	107,612,515	16.25
SEA Fortune	—	107,612,515 ⁽ⁱⁱ⁾	107,612,515	16.25
Port Lucky	107,612,515	—	107,612,515	16.25

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (iii) Messrs. Lu Wing Chi, Jesse and Lambert Lu, both being the Directors, are also directors of NLI and Ambleside Glory.
- (iv) Messrs. Lu Wing Chi, Jesse, Lambert Lu and Lincoln Lu, all being the Directors, are also directors of NYH, SEA Fortune and Port Lucky.
- (v) The total number of issued shares of the Company as at 30 June 2020 was 662,288,726 shares.

Saved as disclosed herein, as at 30 June 2020, 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 2015 Share Option Scheme on 29 May 2015.

The following table shows the movements in share options under the 2015 Share Option Scheme during the six months ended 30 June 2020 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 01.01.2020	Exercised during the period	Lapsed during the period	As at 30.06.2020
Eligible employees	02.07.2015	6.302	01.07.2018 to 30.06.2020	270,000	—	—	270,000
in aggregate	22.01.2018	12.800	01.01.2019 to 31.12.2020	275,000	—	—	275,000
			01.07.2019 to 30.06.2021	275,000	—	—	275,000
			01.01.2020 to 31.12.2021	500,000	—	—	500,000
			01.07.2020 to 30.06.2022	225,000	—	—	225,000
			01.01.2021 to 31.12.2022	1,300,000	—	—	1,300,000
			01.07.2021 to 30.06.2023	1,225,000	—	(150,000)	1,075,000
Total				4,070,000	—	(150,000)	3,920,000

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 2015 Share Option Scheme during the six months ended 30 June 2020.

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 2020.

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 2020.

Update of Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the Directors' information since the disclosure made in the Company's 2019 annual report up to 25 August 2020 (being the date of approval of this report) are set out below:

- The basic monthly salary of Mr. Lu Wing Chi, Jesse has been adjusted to HK\$300,000 with effect from 1 January 2020.
- The basic monthly salary of Mr. Lam Sing Tai has been adjusted to HK\$100,000 with effect from 1 January 2020.
- Mr. Leung Hok Lim ceased as a member of the Hong Kong Institute of Certified Public Accountants and transferred to a retired member of CPA Australia.

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 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 24 September 2020.

Review of Condensed Consolidated 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 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 24 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss, condensed consolidated 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
25 August 2020

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	8	(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	9	(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	19	—	(10,041)
Finance costs	10	(162,923)	(204,734)
Profit before taxation	11	71,255	101,610
Income tax expense	12	(15,300)	(8,119)
Profit for the period		55,955	93,491

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
	NOTE	2020 HK cents (unaudited)	2019 HK cents (unaudited)
Earnings per share for profit attributable to the Company's shareholders			
— Basic		8.4	14.1
— Diluted		8.4	14.1
<i>Earnings per share excluding fair value changes on investment properties net of deferred tax</i>			
— <i>Basic</i>	14	2.8	14.4
— <i>Diluted</i>		2.8	14.4

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
NOTE		(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		—	10,041
19	Reclassification to profit or loss upon disposal/redemption of debt instruments at fair value through other comprehensive income	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

	NOTES	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Non-current assets			
Investment properties	15	6,883,869	7,313,892
Property, plant and equipment		633,715	650,003
Investment in a joint venture	16	1,123,469	1,114,627
Debt instruments at fair value through other comprehensive income	17	3,202,819	3,153,121
Financial assets at fair value through profit or loss	18	15,502	280,325
Pledged bank deposits		13,000	16,512
Other assets		6,869	6,899
		11,879,243	12,535,379
Current assets			
Inventories		901	1,020
Debt instruments at fair value through other comprehensive income	17	1,332,055	2,447,346
Financial assets at fair value through profit or loss	18	263,520	—
Trade and other receivables, deposits and prepayments	20	51,793	44,468
Tax recoverable		—	1
Pledged bank deposits		30,768	482,525
Bank balances and cash		4,365,700	5,027,037
		6,044,737	8,002,397
Current liabilities			
Payables, rental deposits and accrued charges	21	184,123	226,980
Bank borrowings — due within one year	22	4,519,751	5,765,168
Lease liabilities		10,473	10,323
Guaranteed notes		—	1,557,139
Tax liabilities		24,298	23,860
		4,738,645	7,583,470
Net current assets		1,306,092	418,927
Total assets less current liabilities		13,185,335	12,954,306

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Capital and reserves			
Share capital	23	66,229	66,229
Reserves		6,059,028	6,184,158
Total equity		6,125,257	6,250,387
Non-current liabilities			
Lease liabilities		181,056	197,580
Bank borrowings — due after one year	22	5,671,467	5,294,791
Guaranteed notes		1,156,931	1,161,220
Deferred taxation	24	50,624	50,328
		7,060,078	6,703,919
Total equity and non-current liabilities		13,185,335	12,954,306

The condensed consolidated financial statements on pages 24 to 54 were approved and authorised for issue by the Board on 25 August 2020 and are signed on its behalf by:

LU WING CHI, JESSE
CHAIRMAN
AND EXECUTIVE DIRECTOR

LAMBERT LU
CHIEF EXECUTIVE
AND EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to the Company's shareholders										Non-controlling interests HK\$'000	Total HK\$'000
	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	Sub-total HK\$'000		
At 1 January 2019 (audited)	66,206	19,068	277,707	(7,887)	4,451	2,390	(55,258)	20,159	5,684,718	6,011,554	4	6,011,558
Profit for the period	—	—	—	—	—	—	—	93,491	93,491	93,491	—	93,491
Exchange differences arising on translation of foreign operations	—	—	—	8,239	—	—	—	—	—	8,239	—	8,239
Fair value gain on debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	44,006	—	—	44,006	—	44,006
Impairment loss recognised on a listed debt instrument at fair value through other comprehensive income	—	—	—	—	—	—	10,041	—	—	10,041	—	10,041
Reclassification to profit or loss upon disposal/redemption of debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	6	—	—	6	—	6
Other comprehensive income for the period	—	—	—	8,239	—	—	54,053	—	—	62,292	—	62,292
Total comprehensive income for the period	—	—	—	8,239	—	—	54,053	—	93,491	155,783	—	155,783
Recognition of equity-settled share-based payments												
— share options	—	—	—	—	—	374	—	—	—	374	—	374
Shares issued upon exercise of share options	15	1,094	—	—	—	(164)	—	—	—	945	—	945
Dissolution of a subsidiary	—	—	—	—	—	—	—	—	—	—	(4)	(4)
Dividends paid (Note 13)	—	—	—	—	—	—	—	—	(19,866)	(19,866)	—	(19,866)
At 30 June 2019 (unaudited)	66,221	20,162	277,707	352	4,451	2,600	(1,205)	20,159	5,758,343	6,148,790	—	6,148,790
Profit for the period	—	—	—	—	—	—	—	79,627	79,627	79,627	—	79,627
Exchange differences arising on translation of foreign operations	—	—	—	34,770	—	—	—	—	—	34,770	—	34,770
Fair value loss on debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	(2,572)	—	—	(2,572)	—	(2,572)
Impairment loss reversed on a listed debt instrument at fair value through other comprehensive income	—	—	—	—	—	—	(8)	—	—	(8)	—	(8)
Reclassification to profit or loss upon disposal/redemption of debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	2,329	—	—	2,329	—	2,329
Other comprehensive income (expense) for the period	—	—	—	34,770	—	—	(251)	—	—	34,519	—	34,519
Total comprehensive income (expense) for the period	—	—	—	34,770	—	—	(251)	—	79,627	114,146	—	114,146
Recognition of equity-settled share-based payments												
— share options	—	—	—	—	—	191	—	—	—	191	—	191
Shares issued upon exercise of share options	8	583	—	—	—	(87)	—	—	—	504	—	504
Dividends paid (Note 13)	—	—	—	—	—	—	—	—	(13,244)	(13,244)	—	(13,244)
At 31 December 2019 (audited)	66,229	20,745	277,707	35,122	4,451	2,704	(1,456)	20,159	5,824,726	6,250,387	—	6,250,387

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to the Company's shareholders										Non-controlling interests HK\$'000	Total HK\$'000
	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	Sub-total HK\$'000		
Profit for the period	—	—	—	—	—	—	—	—	55,955	55,955	—	55,955
Exchange differences arising on translation of foreign operations	—	—	—	(86,037)	—	—	—	—	—	(86,037)	—	(86,037)
Fair value loss on debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	(99,910)	—	—	(99,910)	—	(99,910)
Reclassification to profit or loss upon disposal/redemption of debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	24,530	—	—	24,530	—	24,530
Other comprehensive expense for the period	—	—	—	(86,037)	—	—	(75,380)	—	—	(161,417)	—	(161,417)
Total comprehensive (expense) income for the period	—	—	—	(86,037)	—	—	(75,380)	—	55,955	(105,462)	—	(105,462)
Recognition of equity-settled share-based payments	—	—	—	—	—	201	—	—	—	201	—	201
— share options	—	—	—	—	—	—	—	—	—	—	—	—
Dividends paid (Note 13)	—	—	—	—	—	—	—	—	(19,869)	(19,869)	—	(19,869)
At 30 June 2020 (unaudited)	66,229	20,745	277,707	(50,915)	4,451	2,905	(76,836)	20,159	5,860,812	6,125,257	—	6,125,257

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 an 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 2020

		Six months ended 30 June	
	NOTE	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited) (restated)
Net cash from operating activities		268,912	334,365
Investing activities			
Purchase of property, plant and equipment		(2,150)	(1,589)
Additions to investment properties		(9,309)	(65,046)
Proceeds from disposal of an investment property		—	71,626
Proceeds from disposal of a subsidiary	28	196,565	—
Proceeds from disposal on debt instruments at fair value through other comprehensive income		2,165,924	—
Additions to other assets		—	(180)
Purchase of debt instruments at fair value through other comprehensive income		(1,264,333)	(793,450)
Redemption of debt instruments at fair value through other comprehensive income		—	690,085
Placement of pledged bank deposits		(12,256)	(18,401)
Release of pledged bank deposits		466,069	17,714
Interest income from bank		177	115
Advances to a joint venture		(8,870)	(26,850)
Net cash from (used in) investing activities		1,531,817	(125,976)
Financing activities			
Drawdown of bank borrowings		2,747,246	1,926,009
Repayment of bank borrowings		(3,406,072)	(1,726,268)
Repayment of guaranteed notes		(1,554,060)	—
Payment of front-end fee of bank borrowings		(6,500)	(18,113)
Issue of new shares		—	945
Dividends paid		(19,859)	(18,527)
Interest paid		(192,838)	(194,995)
Repayment of lease liabilities		(5,151)	(6,985)
Net cash used in financing activities		(2,437,234)	(37,934)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net (decrease) increase in cash and cash equivalents	(636,505)	170,455
Cash and cash equivalents at beginning of period	5,027,037	5,870,023
Effect of foreign exchange rate changes	(24,832)	(13,806)
Cash and cash equivalents at end of period	4,365,700	6,026,672
Represented by:		
Bank balances and cash	4,365,700	6,026,672

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“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 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 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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of amendments to HKFRSs *(continued)*

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.

3.1 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.

3.2 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”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. 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 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.

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	—	104,210	21,420	189,515	315,145
SEGMENT RESULTS					
Segment profit (loss)	—	136,872	(17,985)	164,248	283,135
Unallocated interest income					177
Corporate expenses					(49,106)
Share of result of a joint venture					(28)
Finance costs					(162,923)
Profit before taxation					71,255

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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	—	100,610	119,163	214,087	433,860
SEGMENT RESULTS					
Segment profit	—	100,531	34,063	234,760	369,354
Unallocated interest income					115
Corporate expenses					(63,104)
Share of result of a joint venture					(21)
Finance costs					(204,734)
Profit before taxation					101,610

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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. REVENUE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Renting of investment properties (note i)	104,210	100,610
Hotel operation (note ii)	21,420	119,163
Return from financial investment — interest income (note iii)	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 (iii) 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 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest earned on bank deposits	177	115
Others	1,846	4,964
	2,023	5,079

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. PROPERTY AND RELATED COSTS

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

8. OTHER EXPENSES

Included in other expenses are the hotel operating expenses and legal and professional fees amounting to HK\$7,474,000 and HK\$11,570,000 respectively (for the six months ended 30 June 2019: HK\$28,957,000 and HK\$9,636,000 respectively).

9. 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)	—
	(32,053)	12,733

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. 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
	122,880	130,898
Guaranteed notes		
Interest on guaranteed notes	31,669	63,423
Amortisation of guaranteed notes issue costs	1,332	3,424
	33,001	66,847
Lease liabilities		
Interest on lease liabilities	3,943	3,737
Other charges	3,099	3,252
	162,923	204,734

11. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit before taxation has been arrived at after (crediting) charging:		
Interest earned on time and bank deposits	(30,880)	(90,056)
Depreciation of property, plant and equipment	18,438	19,698
Amortisation of club memberships	30	30

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. 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
	10,361	10,263
Under (over) provision in prior years		
Hong Kong Profits Tax	2,950	1,561
The United Kingdom	—	(6,551)
	2,950	(4,990)
	13,311	5,273
Deferred tax	1,989	2,846
	15,300	8,119

13. 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)	19,869	19,866

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\$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 whose names appear on the register of members of the Company on 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to the Shareholders	55,955	93,491
	Number of shares Six months ended 30 June	
	2020 (unaudited)	2019 (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	—	161,943
Weighted average number of ordinary shares for the purpose of diluted earnings per share	662,288,726	662,291,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. EARNINGS PER SHARE *(continued)*

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

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Profit for the period attributable to the 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	(37,690)	1,989
Adjusted profit attributable to the Shareholders	18,265	95,480
Earnings per share excluding fair value changes on investment properties net of deferred tax		
Basic	HK2.8 cents	HK14.4 cents
Diluted	HK2.8 cents	HK14.4 cents

15. INVESTMENT PROPERTIES

The Group leases out various offices, 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. Some of the lease contracts contain market review clauses. The leases of resort contain minimum annual lease payment that depends on index or a rate and variable lease payment that is based on a percentage of sales over minimum annual lease payment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. INVESTMENT PROPERTIES (continued)

Details of the valuation methodology are as follows:

Valuer	Fair value as at 30 June 2020 HK\$'000 (unaudited)	Class of properties	Valuation methodology	Fair value hierarchy	Key inputs to the valuation	Sensitivity analysis
Colliers International (Hong Kong) Limited*	2,451,000	Residential and office units in Hong Kong	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 75.1% to 113.4%. Hong Kong commercial units' adjusting factors for nature, location and conditions of the property ranging from 83.6% to 102.4%.	A significant increase in the adjusting factors for nature, location and conditions of the properties used would result in a significant increase in fair value, and vice versa.
Colliers International Valuation UK LLP#	4,263,388	Office portion in the United Kingdom	The valuer has used the income capitalisation approach in which the valuer has 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 4.3% per annum.	A slight increase in capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Directors' estimation	169,481	Residential units in Hong Kong and resort portion in Australia	The valuations were fair valued by the Directors. In the opinion of the Directors, the aggregate carrying amount of the Group's investment property in Australia which is determined by capitalisation approach and/or discounted cash flow analysis; and the investment properties in Hong Kong which are determined by using market approach, as at the end of the current interim period that is carried at revalued amounts does not differ significantly from their estimated fair value.	Level 3	Under income capitalisation approach, Australia resort's capitalisation rate of 9.5% per annum. Under discounted cash flow analysis, Australia resort's discount rates at 10.5%. Under market approach, Hong Kong residential units' adjusting factors for nature, location and conditions of the properties ranging from 86.8% to 100.5%.	A slight increase in the capitalisation rate and discounted rate used would result in a significant decrease in fair value, and vice versa. A significant increase in the adjusting factors for nature, location and conditions of the properties used would result in a significant increase in fair value, and vice versa.

* Colliers International (Hong Kong) 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.

Colliers International Valuation UK 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 2020

15. INVESTMENT PROPERTIES *(continued)*

All of the Group's 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 current interim period, the Group paid approximately HK\$9,309,000 (for the year ended 31 December 2019: HK\$125,580,000) for construction costs of renovation of the investment properties in Hong Kong.

16. INVESTMENT IN A JOINT VENTURE

As at the end of the current interim period, the Group has executed corporate financial guarantees in proportion of its equity interest in the joint venture for the banking facilities granted to the joint venture. The total amount of such facilities attributable to the Group was HK\$955,000,000 (31 December 2019: HK\$955,000,000), of which HK\$691,620,000 (31 December 2019: HK\$691,620,000) was utilised by the joint venture. As at the end of the current interim period, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Unlisted investments at fair value		
— Debt securities (note (i))	707,932	709,000
Listed investments at fair value		
— Debt securities maturing between July 2020 to April 2026 (31 December 2019: January 2020 to July 2026) with a fixed interest ranging from 2.6% to 12.0% (31 December 2019: 1.9% to 12.0%) per annum (note (ii))	3,826,942	4,891,467
Total	4,534,874	5,600,467
Analysed for reporting purposes as:		
Current assets	1,332,055	2,447,346
Non-current assets	3,202,819	3,153,121
	4,534,874	5,600,467

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

Notes:

- (i) As at 30 June 2020, the Group held two notes issued by China Strategic Holdings Limited, an independent company listed on the Stock Exchange with principal activities of investment in securities, trading, money lending as well as securities brokerage, at principal amounts of HK\$500 million and HK\$200 million with maturity dates in December 2020 and August 2020 respectively.

As at 30 June 2020, both notes are measured at fair value (31 December 2019: fair value) determined based on the valuation conducted by an independent qualified professional valuer (31 December 2019: an independent qualified professional valuer).

During the six months ended 30 June 2020, the interest income generated from these unlisted debt securities was HK\$34,014,000 (for the six months ended 30 June 2019: HK\$33,811,000) and the fair value loss was HK\$1,068,000 (for the six months ended 30 June 2019: fair value gain of HK\$548,000), which were recognised in interest income from financial investment under revenue in profit or loss and other comprehensive income under investment revaluation reserve respectively.

The Directors consider the prospects of the investment is positive with no significant credit risk.

- (ii) As at 30 June 2020, the Group's investments in listed debt securities with principal amounts ranging from US\$0.4 million to US\$66.0 million (31 December 2019: US\$0.3 million to US\$66.0 million) will be matured between July 2020 to April 2026 with fixed interests ranging from 2.6% to 12.0% per annum (31 December 2019: January 2020 to July 2026 with fixed interests ranging from 1.9% to 12.0% per annum), which have been pledged as security for the bank borrowings (31 December 2019: pledged).

For the six months ended 30 June 2020, included in the segment revenue of the financial investment division was the interest income of the listed debt securities of HK\$124,759,000 (for the six months ended 30 June 2019: HK\$88,378,000).

As at 30 June 2020, included in listed debt securities were listed debt securities with aggregate principal amount of US\$107 million (31 December 2019: US\$110 million) issued by China Evergrande Group ("China Evergrande"). China Evergrande and its subsidiaries are principally engaged in property development, property investment, property management, new energy vehicle business, hotel operations, finance business, internet business and health industry in the PRC.

During the six months ended 30 June 2020, the interest income generated from these listed debt securities issued by China Evergrande was HK\$38,098,000 (for the six months ended 30 June 2019: HK\$34,625,000) and fair value loss was HK\$25,745,000 (for the six months ended 30 June 2019: fair value gain of HK\$4,010,000), which were recognised in interest income from financial investment under revenue in profit or loss and other comprehensive income under investment revaluation reserve respectively.

The Directors consider the prospects of the investment is positive with no significant credit risk.

The Group's listed investments are measured at fair value for financial reporting purposes.

- (iii) Details of fair value measurement are disclosed in note 27.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Unlisted investments		
— preferred shares	271,271	272,538
— unit fund	7,751	7,787
	279,022	280,325
Analysed for reporting purposes as:		
Current assets	263,520	—
Non-current assets	15,502	280,325
	279,022	280,325

Note: Details of fair value measurement are disclosed in note 27.

19. 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	—	10,041

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 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	46,471	40,722
	51,793	44,468

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:

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
0 to 30 days	2,165	1,654
31 to 60 days	1,439	6
	3,604	1,660

21. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 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
	184,123	226,980

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings amounting to HK\$3,406,072,000 (for the six months ended 30 June 2019: HK\$1,726,268,000) and drew bank borrowings which carried interest at variable rates amounting to HK\$2,747,246,000 (for the six months ended 30 June 2019: HK\$1,926,009,000).

23. 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 2019	662,058,726	66,206
Shares issued upon exercise of share options	150,000	15
At 30 June 2019	662,208,726	66,221
Shares issued upon exercise of share options	80,000	8
At 31 December 2019 and 30 June 2020	662,288,726	66,229

24. DEFERRED TAXATION

The balance at the end of reporting period mainly represents deferred tax liabilities recognised on the fair value changes of the investment properties amounting to HK\$44,593,000 (31 December 2019: HK\$44,498,000).

25. PLEDGE OF ASSETS

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

- (a) Fixed charges on investment properties with an aggregate carrying value of HK\$6,867,469,000 (31 December 2019: HK\$6,442,492,000) 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\$576,171,000 (31 December 2019: HK\$586,168,000) 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 of HK\$43,768,000 (31 December 2019: HK\$499,037,000).
- (d) Debt instruments at fair value through other comprehensive income of HK\$3,826,942,000 (31 December 2019: HK\$4,891,467,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

26. RELATED PARTY DISCLOSURES

The remuneration of the Directors who are the Group's key management personnel during the current interim period amounting to HK\$10,190,000 (for the six months ended 30 June 2019: HK\$11,328,000).

27. 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 2020

27. 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 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)		
Listed debt securities classified as debt instruments at fair value through other comprehensive income	3,826,942	4,891,467	Level 1	The fair value is quoted prices in an active market.
Unlisted debt securities classified as debt instruments at fair value through other comprehensive income	707,932	709,000	Level 2	The fair value of the note is determined by the discounted cash flow model. It is estimated by computing the sum of the present values of all expected future cash flows for an appropriate period, each discounted by their prevailing market rates of interest for a similar instrument with a similar credit rating. The discount rate should consider the time value of money and the risk inherent in ownership of the asset being valued. The discount rate is determined with reference to a credit spread derived from comparable bonds with similar credit rating and maturity.
Unlisted investment classified as financial assets at fair value through profit or loss — unit fund	7,751	7,787	Level 2	The fund is non-redeemable. The fair value is measured based on the sharing percentages of net asset value, net of fund management fee and expenses in issue as stipulated in the relevant agreement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. 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 *(continued)*

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 30 June 2020 HK\$'000 (unaudited)	At 31 December 2019 HK\$'000 (audited)		
Unlisted investment classified as financial assets at fair value through profit or loss — preferred shares	271,271	272,538	Level 3	<p>The fair value of the preferred shares is determined by use of the combination of Market Approach and Black-Scholes Option Pricing Model.</p> <p>Market Approach determines the value of the subject asset with reference to price to earnings ratio of similar assets in listed market and adjusted by the discount for lack of marketability. (note 1)</p> <p>The Black-Scholes Option Pricing Model determines the value of option value based on such parameters as risk free rate, prevailing price of the underlying stock, exercise price, expected volatility of the underlying share prices, and term to maturity. (note 2)</p>

Notes:

1. The significant unobservable input is the discount for lack of marketability of 30% (31 December 2019: 30%). Changing this unobservable input based on reasonable alternative assumptions would not significantly change the valuations of the preferred shares.
2. The significant unobservable input is the expected volatility of the underlying share prices of 98% (31 December 2019: 70%). Changing this unobservable input based on reasonable alternative assumptions would not significantly change the valuations of the preferred shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

27. 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 *(continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss
	HK\$'000
At 1 January 2019	324,490
Redemption	(84,775)
Interest income	2,994
Fair value gain	31,334
Exchange adjustments	(1,505)
At 31 December 2019	272,538
Exchange adjustments	(1,267)
At 30 June 2020	271,271

Fair value gains or losses on financial assets at fair value through profit or loss are included in "other gains and losses". No fair value changes for the current interim period was recognised.

There were no transfers between Level 1, 2 and 3 during the period.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

28. DISPOSAL OF A SUBSIDIARY

During the current interim period, the Group entered into a sale agreement to dispose of its 100% equity interest in Treasure Base Global Limited and its subsidiary (collectively named as “Treasure Base Group”) that held an investment property in Hong Kong to an independent third party at a consideration of HK\$196,565,000. The disposal was completed on 26 June 2020, on which the Group lost control of Treasure Base Group.

The net assets of Treasure Base Group at the date of disposal were as follows:

	HK\$'000
Net assets disposed of	196,565
Total consideration	
Satisfied by:	
Cash	196,565

Disposal-related costs amounting to HK\$5,738,000 have been recognised as an expense in the period within the “other expenses” line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Assets derecognised at the date of disposal

	HK\$'000
Investment property	196,500
Rental deposits, prepayment and other receivable	65
	196,565

Net cash inflows arising on disposal of Treasure Base Group

	HK\$'000
Consideration received	196,565

29. CAPITAL COMMITMENT

As at the end of the current interim period, the Group was committed to engage in renovation projects for investment properties in Hong Kong of HK\$12,097,000 (31 December 2019: HK\$55,612,000).

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;
“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);
“GDP”	the gross domestic product;
“Government”	the government of Hong Kong;
“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;
“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;
“NYH”	NYH Limited, an exempted company incorporated in Bermuda with limited liability;

GLOSSARY

“Port Lucky”	Port Lucky Limited, a company incorporated in the British Virgin Islands with limited liability;
“PRC” or “China”	The People’s Republic of China;
“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;
“US\$”	United States dollars, the lawful currency of the United States of America;
“%”	per cent; and
“2015 Share Option Scheme”	the share option scheme adopted by the Company on 29 May 2015.

爪哇控股有限公司
S E A Holdings Limited

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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