

BUILDING  
WITH  
THE  
TIMES

與時創建

2019

INTERIM REPORT 中期報告

# 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

Stephenson Harwood  
Mayer Brown  
Clifford Chance  
Conyers Dill & Pearnan

## 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

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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108 Gloucester Road  
Wanchai, Hong Kong  
Tel: (852) 2828 6363  
Fax: (852) 2598 6861  
E-mail: [info@seagroup.com.hk](mailto:info@seagroup.com.hk)

## BRANCH REGISTRAR IN HONG KONG

Tricor Standard Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Tel: (852) 2980 1333  
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](http://www.seagroup.com.hk)

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Crowne Plaza Hong Kong  
Causeway Bay



1 Shouson Hill Road East



# Hong Kong

20 Moorgate,  
London



33 Old Broad Street,  
London



# United Kingdom

Lizard Island Resort, Queensland



# Australia

# Building with the times

SEA Group was founded in Hong Kong in 1956, its subsidiary went public in 1973 and redomiciled to Bermuda in 1989. SEA Holdings Limited became the flagship listed company of the Group.

Through the combined essence of its professional management team, a prudent financial position, its well-structured corporate governance and the adherence to the Company's philosophy of "Building with the Times", the Group has been diligently carrying out property projects with delicate attention to details. It is the Group's mission to deliver quality projects in a pragmatic and trustworthy way in order to satisfy the needs of our clients.

Over the years, the Group has over 200 residential, commercial and industrial projects in Hong Kong, United Kingdom, Australia, New Zealand, Canada and Mainland China, etc. The Group has since become a renowned international property conglomerate. Looking ahead, the Group is committed to continue building its portfolio of quality projects and add value for shareholders, at the same time contribute for the betterment of the society.

## Highlights

For the period ended 30 June 2019

- Revenue: HK\$433.9 million (2018: HK\$380.3 million), 14% increase
- Profit attributable to the Shareholders: HK\$93.5 million (2018: HK\$82.1 million), 14% increase
- Net asset value ("**NAV**") and NAV per share of the Group attributable to the Shareholders as at 30 June 2019: HK\$11,752.6 million and HK\$17.7 respectively#.

# The NAV is calculated on the basis of the Group's book NAV of HK\$6,148.8 million after adjusting hotel property (which is on cost basis in the book) to fair market value determined by an independent property valuer.

## Proposed Waterfront Residential Development at NKIL 6549, West Kowloon

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.



Proposed Waterfront Residential Development at NKIL 6549, West Kowloon



### Location

Off Hing Wah Street West, Kowloon, Hong Kong

### Usage

Residential

### Stage of Completion

Foundation works in progress

### Approximate Gross Area

1,000,000 sq.ft.

### Mode of Development

Joint Venture

# 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.



Crowne Plaza Hong Kong Causeway Bay



## 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

# 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

## Stage of Completion

Renovation works in progress

## Approximate Saleable Area

30,000 sq.ft.

## Ownership Status

Wholly-owned 11 houses,  
each with 2 carparking  
spaces

1 Shouson Hill Road East



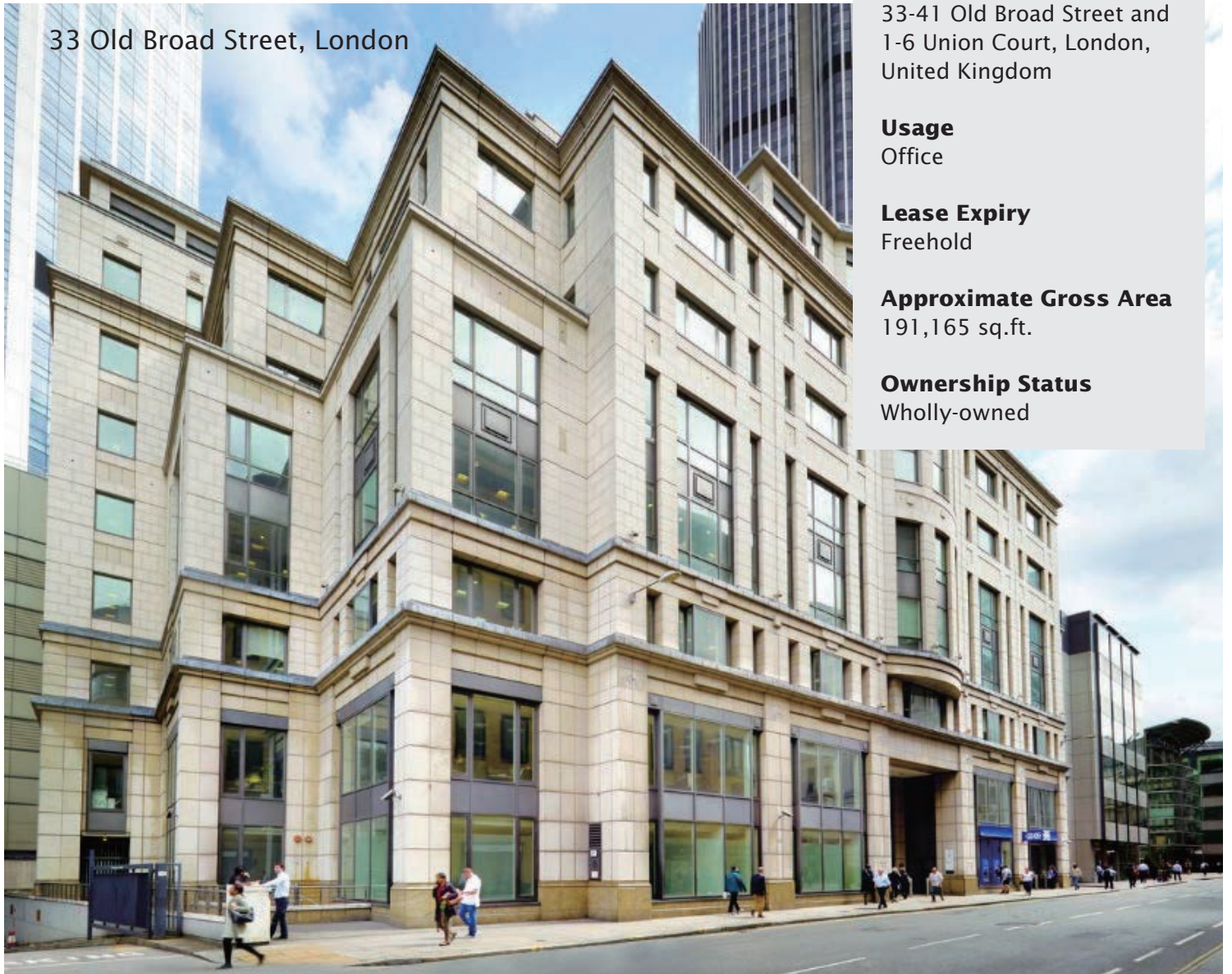
# 33 Old Broad Street, London

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.



33 Old Broad Street, London



## Location

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

## Usage

Office

## Lease Expiry

Freehold

## Approximate Gross Area

191,165 sq.ft.

## Ownership Status

Wholly-owned

# 20 Moorgate, London

## United Kingdom

The property is a seven-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).



20 Moorgate, London



### **Location**

20 Moorgate, London,  
United Kingdom

### **Usage**

Office

### **Lease Expiry**

Long lease

### **Approximate Gross Area**

155,000 sq.ft.

### **Ownership Status**

Wholly-owned

# 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

Lizard Island Resort, Queensland



# CHAIRMAN'S STATEMENT



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

## Financial Summary

Revenue for the six months ended 30 June 2019 amounted to HK\$433.9 million (2018: HK\$380.3 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 2019 amounted to HK\$93.5 million (2018: HK\$82.4 million). The increase in current period was mainly due to increase in return from financial investment.

Profit attributable to the Shareholders for the six months ended 30 June 2019 amounted to HK\$93.5 million (2018: HK\$82.1 million), equivalent to a basic earnings per share of HK14.1 cents (2018: HK12.3 cents).

The reported profit attributable to the Shareholders included a revaluation deficit on investment properties net of deferred taxation of HK\$2.0 million (2018: revaluation surplus HK\$6.3 million). By excluding the effect of such deficit, the Group's net profit attributable to the Shareholders was HK\$95.5 million (2018: HK\$75.8 million), equivalent to HK14.4 cents (2018: HK11.3 cents) per share.

*I am pleased to present  
the unaudited condensed  
consolidated financial results  
of the Group for the six months  
ended 30 June 2019 to the  
Shareholders.*

# CHAIRMAN'S STATEMENT

As at 30 June 2019, the Group's equity attributable to the Shareholders amounted to HK\$6,148.8 million (31 December 2018: HK\$6,011.6 million). The net asset value per share attributable to the Shareholders as at 30 June 2019 was HK\$9.3 as compared with HK\$9.1 as at 31 December 2018.

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

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Hong Kong	3,428.6	3,317.1
The United Kingdom	4,331.0	4,243.1
Australia	156.5	157.7
Total	7,916.1	7,717.9

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK\$596.2 million (31 December 2018: HK\$606.2 million), whereas the market value as at 30 June 2019 as determined by an independent professional market valuation is HK\$6,200.0 million (31 December 2018: HK\$6,000.0 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 2019, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Shareholders would be HK\$13,519.9 million (31 December 2018: HK\$13,111.7 million), HK\$11,752.6 million (31 December 2018: HK\$11,405.4 million) and HK\$17.7 (31 December 2018: HK\$17.2) respectively.

## Interim Dividend

The Board has declared an interim dividend of HK2 cents (for the six months ended 30 June 2018: HK2 cents) per share for the six months ended 30 June 2019 to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 3 October 2019. The relevant dividend warrants are expected to be despatched on or before Wednesday, 16 October 2019.

# 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 (No. 1 Shouson Hill Road East) 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, as part of the consortium comprised of well-known property developers, is developing the urban waterfront residential plot with harbor view in Off Hing Wah Street West, West Kowloon. The site is being developed into a premium-graded residential project with walking distance to MTR. This project is under foundation work in progress stage as scheduled and targets to be completed by 2022.

The Group owns residential properties at Shouson Hill Road East, Hong Kong as investment properties. The properties are currently under renovation process.

#### United Kingdom

The Group owns two investment properties in 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 six months ended 30 June 2019 was HK\$92.4 million (2018: HK\$98.2 million).

#### Australia

Revenue generated from the property investment projects in Australia for the six months ended 30 June 2019 was HK\$7.8 million (2018: HK\$8.8 million).



20 Moorgate, London, United Kingdom

# CHAIRMAN'S STATEMENT



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

## Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. Its operating results in 2019 first half was less than same period in 2018, which was resulted from the general decrease of tourism market in Hong Kong. The hotel will strive to implement cost saving measurement and gain further market share in the challenging market conditions.

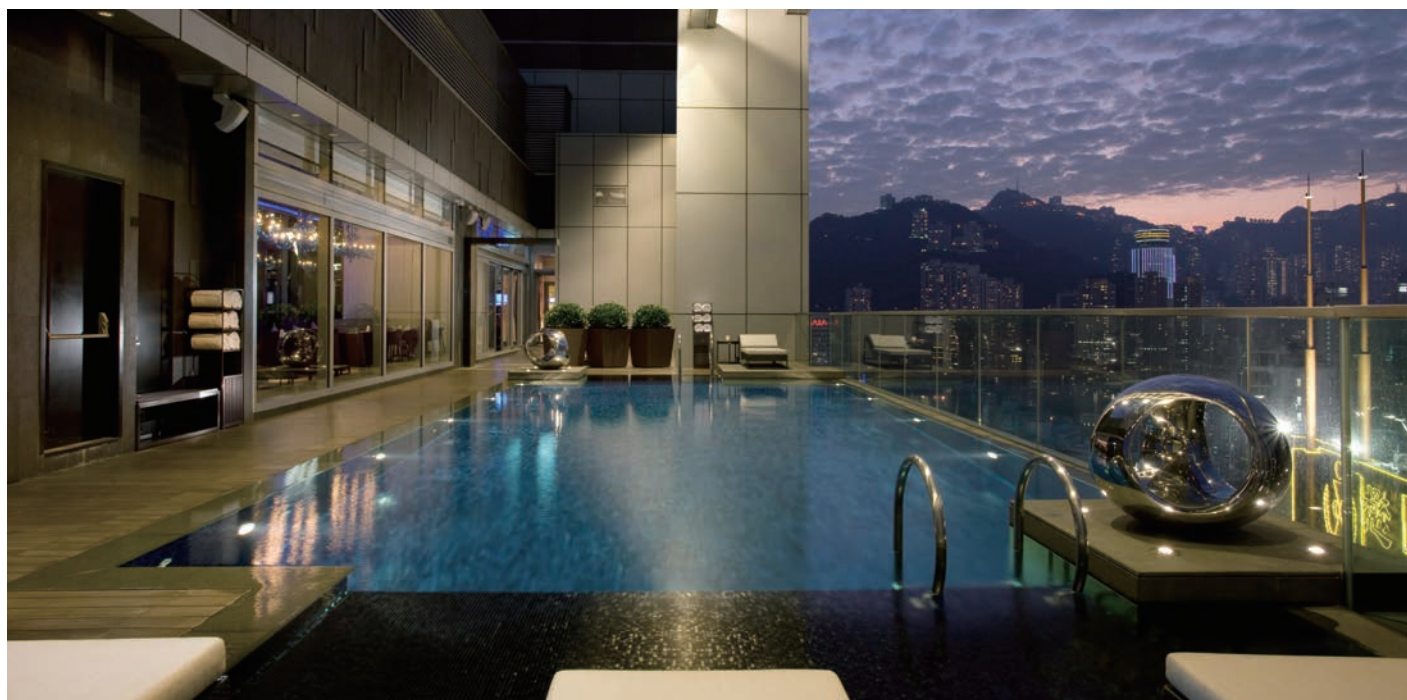
## Financial Resources and Liquidity

### Working Capital and Loan Facilities

As at 30 June 2019, the Group's total pledged bank deposits, bank balances and cash was HK\$7,624.2 million (31 December 2018: HK\$7,471.2 million), total financial investments (including debt instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss) were HK\$4,881.4 million (31 December 2018: HK\$4,732.0 million) and unutilised facilities were HK\$2,225.0 million (31 December 2018: HK\$1,707.8 million).

As at 30 June 2019, the Group's bank borrowings was HK\$11,143.5 million (31 December 2018: HK\$10,979.4 million) and the guaranteed notes was HK\$2,722.4 million (31 December 2018: HK\$2,726.7 million). After netting off the bank balance, cash and the financial investments, the Group had a net debt position of HK\$1,360.3 million (31 December 2018: HK\$1,502.9 million) with gearing ratio of 10.1% (31 December 2018: 11.5%) (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\$6,200.0 million).

# CHAIRMAN'S STATEMENT



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

As at 30 June 2019, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	30 June 2019 HK\$ million	31 December 2018 HK\$ million
Due		
Within 1 year	7,493.1	6,217.9
1–2 years	48.5	1,619.0
3–5 years	6,374.2	5,913.1
	13,915.8	13,750.0
Less: Unamortised front-end fee and notes issue expenses	(49.9)	(43.9)
Total	13,865.9	13,706.1

# CHAIRMAN'S STATEMENT

## Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank borrowings drawn as at 30 June 2019 amounted to HK\$8,442.1 million (31 December 2018: HK\$8,216.1 million) which comprised of secured bank borrowings of HK\$6,362.1 million (31 December 2018: HK\$5,936.1 million) and unsecured bank borrowings of HK\$2,080.0 million (31 December 2018: HK\$2,280.0 million). The secured bank borrowings were secured by properties valued at HK\$2,280.2 million (31 December 2018: HK\$2,225.2 million), listed debt securities of HK\$3,790.7 million (31 December 2018: HK\$3,689.8 million) and pledged bank deposits of HK\$1,597.5 million (31 December 2018: HK\$1,598.5 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK\$4,487.5 million (31 December 2018: HK\$4,400.8 million) and there was no pledged bank deposits (31 December 2018: HK\$2.7 million) as at 30 June 2019 to secure bank borrowings of HK\$2,740.8 million (31 December 2018: HK\$2,793.3 million).

## Treasury Policies

The Group adheres to prudent treasury policies. As at 30 June 2019, all of the Group's borrowings except the guaranteed notes were raised through its wholly-owned subsidiaries on a non-recourse basis.

## Staff and Emolument Policy

As at 30 June 2019, the Group had a total of 236 employees (2018: 239 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$61.9 million for the period ended 30 June 2019 (2018: HK\$77.0 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

# CHAIRMAN'S STATEMENT

## Outlook

Global economy was volatile in the first half of 2019. In the first quarter, a positive outcome on the progress of US-China trade relationship increased investment confidence and led a strong rebound in global stock markets. However, re-escalation of US-China trade tensions since early May and the increasing possibility of a disorderly Brexit have dampened the global economy. Global trade has weakened and the investment activity has lost momentum. Signs of slowdown have begun to emerge. Both of the International Monetary Fund (“IMF”) and the World Bank cut the growth forecast for 2019 in the Euro Area. The government of Germany, the biggest economy in Europe, also predicted that 2019 would be the year with the worst economic performance since 2013. In light of higher tariffs and a worsen outlook in most of the major advance economies, IMF further cut its global economic growth forecast for 2019 from 3.5% in January to 3.2% in July. The worries of slowdown are expected to persist in the remaining year of 2019.

The Mainland economy was lack of accelerated growth in the first half of 2019. GDP grew by 6.4% in the first quarter and 6.2% in the second quarter. Trade and manufacturing activity has softened. Projected growth was revised down to 6.2% in this year, compared with 6.6% in 2018, which is the lowest growth rate since 1992. Meanwhile, trade tensions between the United States and China sharply escalated in the past few months. Facing higher U.S. tariffs and more trade barriers from the United States, pressure on China's external trade is growing.

The Hong Kong economy has also experienced a volatile year. In the first four months, there was positive expectation on the US-China trade talks, the local stock market was resilient and the Hang Seng Index soared to 30,000 in April. However, the subsequent re-escalation of trade disputes and social incidents since June hit the Hong Kong economy. Economic growth was only 0.3% in the second quarter. Against this backdrop, the Hong Kong government downgraded the growth forecast of 0% to 1% in August from the original forecast of 2% to 3%. The government also warned that there may be a recession if the tensions in the society continue.

The Hong Kong residential property market was upbeat in the first quarter of 2019. Compared with last quarter of 2018, the number of sale and purchase agreements for residential property increased by 82%, and flat prices went up by 5% between December 2018 and March 2019. Yet, the ongoing social instability had greatly reduced investment sentiment. Trading activities have quietened down. The near term outlook seems to be negative. In spite of this, with short of near term land supply, we expect that performance of residential property will remain robust in the medium and long term.

Despite the increase in visitor arrivals, particularly Mainland visitors, in the first half of 2019, the drop of Renminbi exchange rate is making Hong Kong a lesser desirable destination for Mainland visitors. More important, while the local turbulence had caused significant disruptions to inbound tourism and consumption-related activities, number of visitors has a notable decrease. Local hotel industry was hard hit. We expect that the Group's hotel operation will be seriously affected if the social instability cannot be settled down quickly.

# CHAIRMAN'S STATEMENT



33 Old Broad Street, London, United Kingdom

For the United Kingdom, economic performance was volatile in the first half of 2019. Economic growth of the United Kingdom accelerated in the first quarter of 2019. Furthermore, the commercial property market remained stable. Nonetheless, without the outcome on Brexit yet, investment sentiments turned to be conservative and GDP growth fell again in the second quarter of 2019. The Bank of England has cut its forecasts for UK growth to 1.3% for this year from a previous projection of 1.5% in May. For the rest of 2019, the uncertainties over the country's future will continue to cast a cloud on the economy.

Looking ahead, while there are no signs of improvement in US-China trade relationship, the social incidents in Hong Kong and the global economic slowdown, downward risks for both of global and local economies are growing. Facing the challenging environments, the Group will be alert to the local and worldwide developments. At the same time, to enhance shareholders' value as a whole, we will continue to look for quality investments to enhance its portfolio and broaden its income stream.

**Lu Wing Chi, Jesse**  
*Chairman*

*Hong Kong, 27 August 2019*

# CORPORATE GOVERNANCE AND OTHER INFORMATION

During the period for the six months ended 30 June 2019, 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 2019.

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 2019, 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 <sup>(i)</sup>	—	446,392,255	67.41
Lambert Lu	1,000,000	338,779,740 <sup>(ii)</sup>	—	339,779,740	51.31
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

Notes:

- (i) Among these 446,392,255 shares, 107,612,515 shares were held by Port Lucky and 338,779,740 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. NLI 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 and Port Lucky, he is deemed to be interested in these shares.
- (ii) As disclosed in Note (i) above, these 338,779,740 shares were held by NLI which 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, he is also deemed to be interested in these shares.
- (iii) The total number of issued shares of the Company as at 30 June 2019 was 662,208,726 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 2019, 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 2019, so far as is known to the Directors, the following substantial Shareholders and other persons (other than Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long positions in shares of the Company

Name of Shareholders	Number of ordinary shares		Total interests	Approximate % of interest in the issued share capital
	Held as beneficial owner	Held by controlled corporations		
NLI	338,779,740	—	338,779,740	51.16
NYH	—	107,612,515 <sup>(i)</sup>	107,612,515	16.25
SEA Fortune	—	107,612,515 <sup>(i)</sup>	107,612,515	16.25
Port Lucky	107,612,515	—	107,612,515	16.25

Notes:

- (i) 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.
- (ii) Messrs. Lu Wing Chi, Jesse and Lambert Lu, both being Directors, are also directors of NLI.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

(iii) Messrs. Lu Wing Chi, Jesse, Lambert Lu and Lincoln Lu, all being Directors, are also directors of NYH, SEA Fortune and Port Lucky.

(iv) The total number of issued shares of the Company as at 30 June 2019 was 662,208,726 shares.

Saved as disclosed herein, as at 30 June 2019, 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 2019 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 01.01.2019	Exercised during the period	Lapsed during the period	As at 30.06.2019
Eligible employees in aggregate	02.07.2015	6.302	01.07.2018 to 30.06.2020	500,000	(150,000)	—	350,000
	22.01.2018	12.800	01.01.2019 to 31.12.2020	325,000	—	(50,000)	275,000
			01.07.2019 to 30.06.2021	400,000	—	—	400,000
			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	1,600,000	—	(150,000)	1,450,000
			01.07.2021 to 30.06.2023	1,550,000	—	(325,000)	1,225,000
<b>Total</b>				5,100,000	(150,000)	(525,000)	4,425,000

Notes:

- (i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.
- (ii) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by the eligible employees was HK\$10.48 per share.
- (iii) No share options had been granted or cancelled under the 2015 Share Option Scheme during the six months ended 30 June 2019.

# 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 2019.

## 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 2019.

## Closure of Register of Members

The register of members of the Company will be closed from Friday, 27 September 2019 to Thursday, 3 October 2019 (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, 26 September 2019.

## Review of Condensed Consolidated Financial Statements

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 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



德勤

**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 57, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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  
27 August 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
	NOTES		
Revenue	3		
— Renting of investment properties		100,610	107,284
— Hotel operation		119,163	119,635
— Return from financial investment			
— interest income		214,087	153,401
Total revenue		433,860	380,320
Other income	5	5,079	2,374
Costs:			
Property and related costs	6	(1,203)	(7,059)
Staff costs		(61,870)	(76,964)
Depreciation and amortisation		(19,728)	(14,427)
Other expenses	7	(50,476)	(58,131)
		(133,277)	(156,581)
Profit before fair value changes on investment properties, impairment loss and other gains and losses		305,662	226,113
Fair value changes on investment properties		(1,989)	6,268
Profit after fair value changes on investment properties		303,673	232,381
Other gains and losses	8	12,733	37,651
Share of result of a joint venture		(21)	(3)
Impairment loss recognised on debt instruments at fair value through other comprehensive income	18	(10,041)	—
Finance costs	9	(204,734)	(176,295)
Profit before taxation	10	101,610	93,734
Income tax expense	11	(8,119)	(11,372)
Profit for the period		93,491	82,362
Attributable to:			
— Company's shareholders		93,491	82,084
— Non-controlling interests		—	278
Profit for the period		93,491	82,362

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended 30 June	
	NOTE	2019 HK cents (unaudited)	2018 HK cents (unaudited)
Earnings per share for profit attributable to the Company's shareholders			
— Basic		14.1	12.3
— Diluted		14.1	12.2
<i>Earnings per share excluding fair value changes on investment properties net of deferred tax</i>			
— Basic	13	14.4	11.3
— Diluted		14.4	11.3

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

For the six months ended 30 June 2019

	NOTE	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Profit for the period		93,491	82,362
<b>Other comprehensive income (expense):</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Fair value gain (loss) on:			
Debt instruments at fair value through other comprehensive income		44,006	(34,278)
Exchange differences arising on translation of foreign operations		8,239	(9,713)
<i>Reclassification adjustments for amounts transferred to profit or loss:</i>			
Upon early redemption of debt instruments at fair value through other comprehensive income		6	25
Impairment loss recognised on debt instruments at fair value through other comprehensive income	18	10,041	—
		62,292	(43,966)
Total comprehensive income for the period		155,783	38,396
Attributable to:			
— Company's shareholders		155,783	38,118
— Non-controlling interests		—	278
Total comprehensive income for the period		155,783	38,396

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	14	6,187,903	6,036,230
Property, plant and equipment		668,015	650,904
Investment in a joint venture	15	1,077,289	1,050,460
Debt instruments at fair value through other comprehensive income	16	2,700,852	2,950,698
Financial assets at fair value through profit or loss	17	275,160	250,573
Pledged bank deposits		21,333	26,333
Other assets		6,929	6,779
		<b>10,937,481</b>	10,971,977
<b>Current assets</b>			
Inventories		826	915
Debt instruments at fair value through other comprehensive income	16	1,816,046	1,448,979
Financial assets at fair value through profit or loss	17	89,326	81,747
Trade and other receivables, deposits and prepayments	19	33,938	37,621
Tax recoverable		1	1
Amounts due from non-controlling interests	20	—	4
Pledged bank deposits		1,576,204	1,574,819
Bank balances and cash		6,026,672	5,870,023
		<b>9,543,013</b>	9,014,109
<b>Current liabilities</b>			
Payables, rental deposits and accrued charges	21	199,671	204,973
Bank borrowings — due within one year	22	5,926,682	6,215,708
Lease liabilities		8,748	—
Guaranteed notes		1,559,127	—
Tax liabilities		17,647	22,293
		<b>7,711,875</b>	6,442,974
<b>Net current assets</b>		<b>1,831,138</b>	2,571,135
<b>Total assets less current liabilities</b>		<b>12,768,619</b>	13,543,112

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	23	66,221	66,206
Reserves		6,082,569	5,945,348
Equity attributable to the Company's shareholders		6,148,790	6,011,554
Non-controlling interests		—	4
<b>Total equity</b>		<b>6,148,790</b>	<b>6,011,558</b>
<b>Non-current liabilities</b>			
Bank borrowings — due after one year	22	5,216,820	4,763,702
Lease liabilities		196,031	—
Guaranteed notes		1,163,292	2,726,740
Deferred taxation	24	43,686	41,112
		6,619,829	7,531,554
<b>Total equity and non-current liabilities</b>		<b>12,768,619</b>	<b>13,543,112</b>

The condensed consolidated financial statements on pages 24 to 57 were approved and authorised for issue by the Board of Directors on 27 August 2019 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 2019

	Attributable to the Company's shareholders													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	Shares on trust for awardees under share award scheme HK\$'000	Share award 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	Non- controlling interests HK\$'000	
At 1 January 2018 (audited)	67,376	96,184	277,707	6,665	4,451	—	—	6,147	(27,917)	20,159	5,691,812	6,142,584	1,498	6,144,082
Profit for the period	—	—	—	—	—	—	—	—	—	—	82,084	82,084	278	82,362
Exchange differences arising on translation of foreign operations	—	—	—	(9,713)	—	—	—	—	—	—	—	(9,713)	—	(9,713)
Fair value losses on debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	—	—	(34,278)	—	—	(34,278)	—	(34,278)
Reclassification adjustments for amounts transferred to profit or loss upon early redemption of debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	—	—	25	—	—	25	—	25
Other comprehensive expense for the period	—	—	—	(9,713)	—	—	—	—	(34,253)	—	—	(43,966)	—	(43,966)
Total comprehensive (expense) income for the period	—	—	—	(9,713)	—	—	—	—	(34,253)	—	82,084	38,118	278	38,396
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	1,737	—	—	—	1,737	—	1,737
— share options	—	—	—	—	—	—	—	1,737	—	—	—	1,737	—	1,737
— share award	—	—	—	—	—	—	37,120	—	—	—	—	37,120	—	37,120
Shares issued upon exercise of share options	217	15,632	—	—	—	—	—	(2,174)	—	—	—	13,675	—	13,675
Purchase of shares under share award scheme	—	—	—	—	—	(37,385)	—	—	—	—	—	(37,385)	—	(37,385)
Shares transferred to participants under share award scheme	—	—	—	—	—	37,385	(37,120)	—	—	—	(265)	—	—	—
Shares repurchased and cancelled	(1,653)	(206,649)	—	—	—	—	—	—	—	—	—	(208,302)	—	(208,302)
Dividends paid (Note 12)	—	—	—	—	—	—	—	—	—	—	(19,780)	(19,780)	—	(19,780)
Transfer of excess share premium to retained profits	—	94,833	—	—	—	—	—	—	—	—	(94,833)	—	—	—
At 30 June 2018 (unaudited)	65,940	—	277,707	(3,048)	4,451	—	—	5,710	(62,170)	20,159	5,659,018	5,967,767	1,776	5,969,543
Profit for the period	—	—	—	—	—	—	—	—	—	—	38,942	38,942	(4)	38,938
Exchange differences arising on translation of foreign operations	—	—	—	(4,839)	—	—	—	—	—	—	—	(4,839)	—	(4,839)
Fair value losses on debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	—	—	6,888	—	—	6,888	—	6,888
Reclassification adjustments for amounts transferred to profit or loss upon early redemption of debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	—	—	24	—	—	24	—	24
Other comprehensive (expense) income for the period	—	—	—	(4,839)	—	—	—	—	6,912	—	—	2,073	—	2,073
Total comprehensive (expense) income for the period	—	—	—	(4,839)	—	—	—	—	6,912	—	38,942	41,015	(4)	41,011
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	2	—	—	—	2	—	2
— share options	—	—	—	—	—	—	—	2	—	—	—	2	—	2
Shares issued upon exercise of share options	306	22,269	—	—	—	—	—	(3,322)	—	—	—	19,253	—	19,253
Shares repurchased and cancelled	(40)	(3,201)	—	—	—	—	—	—	—	—	—	(3,241)	—	(3,241)
Dividends paid (Note 12)	—	—	—	—	—	—	—	—	—	—	(13,242)	(13,242)	—	(13,242)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(1,768)	(1,768)
At 31 December 2018 (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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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	Shares on trust for awardees under share award scheme HK\$'000	Share award 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	—	—	—	—	—	—	—	—	—	—	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	
Reclassification adjustments for amounts transferred to profit or loss															
— impairment loss recognised on debt instruments at fair value through other comprehensive income	—	—	—	—	—	—	—	—	10,041	—	—	10,041	—	10,041	
— upon early 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 12)	—	—	—	—	—	—	—	—	—	—	(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	

## Notes:

- 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.
- 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 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>Net cash from operating activities</b>	<b>335,819</b>	240,895
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,589)	(5,699)
Additions to investment properties	(65,046)	(12,732)
Proceeds from disposal on investment properties	71,626	—
Proceeds from disposal on property, plant and equipment	—	194
Purchase of financial assets at fair value through profit or loss	—	(321,432)
Purchase of debt instruments at fair value through other comprehensive income	(793,450)	(2,827,753)
Additions to other assets	(180)	—
Redemption of debt instruments at fair value through other comprehensive income	690,085	2,993,815
Placement of pledged bank deposits	(18,401)	(9,770)
Release of pledged bank deposits	17,714	6,586
Decrease in loan receivables	—	1,887
Advances to non-controlling interests	—	(874)
Capital injection in a joint venture	(26,850)	(1,000)
<b>Net cash used in investing activities</b>	<b>(126,091)</b>	(176,778)
<b>Financing activities</b>		
Issue of guaranteed notes	—	1,172,940
Drawdown of bank borrowings	1,926,009	2,593,693
Repayments of bank borrowings	(1,726,268)	(2,552,091)
Payment of commission of guaranteed note issue	—	(11,202)
Payment of front-end fee of bank borrowings	(18,113)	—
Issue of new shares	945	13,675
Repurchase of ordinary shares	—	(208,302)
Dividends paid	(19,866)	(19,780)
Interest paid	(194,995)	(143,757)
Repayment of lease liabilities	(6,985)	—
<b>Net cash (used in) from financing activities</b>	<b>(39,273)</b>	845,176

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>Net increase in cash and cash equivalents</b>	<b>170,455</b>	909,293
<b>Cash and cash equivalents at beginning of period</b>	<b>5,870,023</b>	4,235,738
Effect of foreign exchange rate changes	<b>(13,806)</b>	11,395
<b>Cash and cash equivalents at end of period</b>	<b>6,026,672</b>	5,156,426
Represented by: Bank balances and cash	<b>6,026,672</b>	5,156,426

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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 Listing Rules.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

In order to prepare the condensed consolidated financial statements on a basis consistent with that of the preceding period, the Directors are of the opinion that the Group has reclassified net exchange gain of HK\$37,676,000 from “other income” to “other gains and losses” in order to conform to current period’s classification.

Other than changes in accounting policies resulting from application of new and 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 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### As a lessee

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease components on the basis of their relative stand-alone prices.

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of the initial measurement of the lease liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

##### *As a lessee (continued)*

##### *Right-of-use assets (continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment”, the same line item as that within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

##### *Leasehold land and building*

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) and variable lease payments that depend on an index or a rate less any lease incentives receivable.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the events or conditions that trigger that payments occur.

After the commencement date, lease liabilities are adjusted by changes in interest and lease payments.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

##### *As a lessee (continued)*

##### *Lease liabilities (continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

##### As a lessor

##### *Allocation of consideration to components of a contract*

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease components on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

##### *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### As a lessee

Under HKFRS 16, the Group is required to apply retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

##### As a lessee *(continued)*

The Group has applied HKFRS 16 by modified retrospective approach at transition, and has applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

At 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16 C8(b)(ii) transition. On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$214,352,000 and right-of-use assets of HK\$214,352,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied implicit interest rates, if readily determinable, and incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate and implicit interest rate applied are ranging from 2.4% to 4.2%.

	At 1 January 2019 HK\$'000
<b>Operating lease commitments disclosure as at 31 December 2018</b>	<b>671,225</b>
Lease liabilities discounted at relevant implicit interest rate and incremental borrowing rate (note)	<b>184,427</b>
Add: Extension option reasonably certain to be exercised	<b>29,925</b>
<b>Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and lease liabilities as at 1 January 2019</b>	<b>214,352</b>
<b>Analysed for reporting purpose as:</b>	
Current	<b>12,121</b>
Non-current	<b>202,231</b>
	<b>214,352</b>

Note: Includes certain leases of up to 133 years duration.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

##### As a lessee *(continued)*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<b>Right-of-use assets</b> HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	214,352
By class:	
Leasehold lands (included in investment properties)	179,109
Land and buildings (included in property, plant and equipment)	35,243
	214,352

##### As a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but accounts for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, the Group accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.
- (b) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted for as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (c) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. The Directors consider that the impact for discounting such refundable rental deposits received of HK\$5,095,000 as at 31 December 2018 is not material.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

##### As a lessor *(continued)*

The application of HKFRS 16 has no material impact for the Group as a lessor on the condensed consolidated financial statements as at 1 January 2019.

The application of HKFRS 16 has no material impact on the retained profits as at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
<b>Non-current Assets</b>			
Investment properties	6,036,230	179,109	<b>6,215,339</b>
Property, plant and equipment	650,904	35,243	<b>686,147</b>
<b>Current liabilities</b>			
Lease liabilities	—	12,121	<b>12,121</b>
<b>Non-current liabilities</b>			
Lease liabilities	—	202,231	<b>202,231</b>

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening condensed consolidated statement of financial position as at 1 January 2019 as disclosed above.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

### 2.2 Impacts and changes in accounting policies of application on Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that the Group applies HKFRS 9, including the impairment requirements, to long-term interest in a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 *Investments in Associates and Joint Ventures* ("HKAS 28") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2018, loan to a joint venture of HK\$1,050,499,000 is considered as long-term interests that, in substance form part of the Group's net investments in the joint venture. However, the application has had no impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

## 3. REVENUE

### Disaggregation of revenue

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Renting of investment properties	100,610	107,284
Hotel operation (note i)	119,163	119,635
Return from financial investment — interest income (note ii)	214,087	153,401
	<b>433,860</b>	380,320

Notes:

- i. For the six months ended 30 June 2019, revenue from hotel operation, which arises from contracts with customers is recognised in accordance with HKFRS 15, comprise of (i) HK\$92,290,000 (for the six months ended 30 June 2018 : HK\$95,318,000) for hotel room revenue recognised over time and based on output method; and (ii) HK\$20,859,000 (for the six months ended 30 June 2018: HK\$18,337,000) for revenue from food and beverage sales and HK\$6,014,000 (for the six months ended 30 June 2018 : HK\$5,980,000) for revenue from ancillary service are recognised at point in time.
- ii. Return from financial investment represents interest revenue derived from listed and unlisted securities and time deposits.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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 provide the same nature of income with the same recognition criteria.

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

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

### Six months ended 30 June 2019

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 4. SEGMENT INFORMATION *(continued)*

### Six months ended 30 June 2018

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External revenue	—	107,284	119,635	153,401	380,320
SEGMENT RESULTS					
Segment (loss) profit	(309)	103,174	41,370	149,441	293,676
Unallocated interest income					106
Corporate income less expenses					(23,750)
Share of result of a joint venture					(3)
Finance costs					(176,295)
Profit before taxation					93,734

Segment profit of the property investment division for the six months ended 30 June 2019 included a decrease in fair value of investment properties of HK\$1,989,000 (for the six months ended 30 June 2018: an increase in fair value of investment properties of HK\$6,268,000).

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.

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

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 2019

## 5. OTHER INCOME

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000 (restated)
Interest earned on bank deposits	115	63
Interest income from second mortgage loan	—	43
Others	4,964	2,268
	<b>5,079</b>	<b>2,374</b>

## 6. PROPERTY AND RELATED COSTS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Selling and marketing expenses	609	454
Direct operating expenses on investment properties	594	6,605
	<b>1,203</b>	<b>7,059</b>

## 7. OTHER EXPENSES

Included in other expenses are the hotel operating expenses amounting to HK\$28,957,000 (for the six months ended 30 June 2018: HK\$29,307,000).

## 8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000 (restated)
Gain on disposal of an investment property	6,375	—
Net exchange (loss) gain	(24,928)	37,676
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)	(25)
	<b>12,733</b>	<b>37,651</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 9. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Bank borrowings		
Interest on bank borrowings	122,276	106,424
Amortisation of bank borrowings front-end fee	8,622	4,440
	130,898	110,864
Guaranteed notes		
Interest on guaranteed notes	63,423	60,591
Amortisation of guaranteed notes issue costs	3,424	3,315
	66,847	63,906
Lease liabilities		
Interest on lease liabilities	3,737	—
Other charges	3,252	1,525
	204,734	176,295

## 10. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Interest earned on time and bank deposits	(90,056)	(70,482)
Depreciation of property, plant and equipment	19,698	14,397
Amortisation of club memberships	30	30

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current tax		
Hong Kong Profits Tax	(2,933)	(3,240)
Australia	(1,736)	(1,858)
The United Kingdom	(5,594)	(7,058)
	(10,263)	(12,156)
Over(under)provision in prior years		
Hong Kong Profits Tax	(1,561)	—
The United Kingdom	6,551	—
	4,990	—
	(5,273)	(12,156)
Deferred tax	(2,846)	784
	(8,119)	(11,372)

## 12. DIVIDENDS

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Dividends recognised as a distribution during the period:		
Final dividend for the year ended 31 December 2018 of HK3 cents per share (for the six months ended 30 June 2018: final dividend for the year ended 31 December 2017 of HK3 cents per share)	19,866	19,780

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\$13,244,000 in aggregate (2018: HK2 cents per share amounting to HK\$13,242,000 in aggregate) will be paid to the Shareholders whose names appear on the register of members of the Company on 3 October 2019.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to the owners of the Company	93,491	82,084

	Number of shares Six months ended 30 June	
	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	662,129,997	668,739,803
Effect of dilutive potential ordinary shares options	161,943	2,937,716
Weighted average number of ordinary shares for the purpose of diluted earnings per share	662,291,940	671,677,519

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	
	2019 HK\$'000	2018 HK\$'000
Profit for the period attributable to the Company's shareholders as shown in the condensed consolidated statement of profit or loss	93,491	82,084
Fair value changes on investment properties	1,989	(6,268)
Adjusted profit attributable to the Company's shareholders	95,480	75,816
Earnings per share excluding fair value changes on investment properties net of deferred tax		
Basic	HK14.4 cents	HK11.3 cents
Diluted	HK14.4 cents	HK11.3 cents

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 14. INVESTMENT PROPERTIES

Details of the valuation methodology are as follows:

Valuer	Fair value as at 30 June 2019 HK\$'000	Class of properties	Valuation methodology	Fair value hierarchy	Key inputs to the valuation (including capitalisation rate and market value)	Sensitivity analysis
Colliers International (Hong Kong) Limited*	1,684,000	Residential units in Hong Kong	The valuer has used the market approach by comparing recent sales of similar interests located in the surrounding area and made adjustment for size, location, time, age, quality and other relevant factors.	Level 3	Under market approach, Hong Kong residential units' adjusting factors for nature, location and conditions of the properties ranging from 66.64% to 121.99%.	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#	4,330,981	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	Under income capitalisation approach, capitalisation rates of office portion of the United Kingdom ranging from 3.85% to 4.25%.	A significant increase in capitalisation rate used would result in a significant decrease in fair value, and vice versa.
Directors' estimation	172,922	Residential units in Hong Kong and resort portion in Australia	The valuation were fair valued by 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 9.10% per annum.  Under discounted cash flow analysis, Australia resort's discount rates ranging from 10.50% to 10.59%.  Under market approach, Hong Kong residential units' adjusting factors for nature, location and conditions of the properties ranging from 85.69% to 116.38%.	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.

All of the Group's property interests are held for earning rental income under operating leases and/or for capital appreciation purposes. These properties are measured using the fair value model and are classified and accounted for as investment properties.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 14. INVESTMENT PROPERTIES *(continued)*

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 external 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 external 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\$65,046,000 for construction costs of renovation of the investment properties in Hong Kong.

In addition, during the current interim period, the Group disposed of an investment property in the United Kingdom with a carrying amount of HK\$65,251,000 for a cash proceed of HK\$71,626,000, resulting in a gain on disposal of HK\$6,375,000 recognised in other gains and losses.

## 15. 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 2018: HK\$955,000,000), of which HK\$691,620,000 (31 December 2018: 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 2019

## 16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2019 HK\$'000	31.12.2018 HK\$'000
<b>Unlisted investments</b>		
— Debt securities	710,449	709,900
<b>Listed investments</b>		
— Debt securities maturing between July 2019 to October 2023 (31 December 2018: January 2019 to June 2023) with a fixed interest ranging from 1.9% to 8.4% (31 December 2018: 1.6% to 8.3%) per annum	3,806,449	3,689,777
<b>Total</b>	<b>4,516,898</b>	<b>4,399,677</b>
<b>Analysed for reporting purposes as:</b>		
Current assets	1,816,046	1,448,979
Non-current assets	2,700,852	2,950,698
	<b>4,516,898</b>	<b>4,399,677</b>

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

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2019 HK\$'000	31.12.2018 HK\$'000
<b>Unlisted investments</b>		
— in the Cayman Islands	259,544	234,912
— unit fund	7,808	7,830
	<b>267,352</b>	<b>242,742</b>
<b>Debt instruments</b>		
— Convertible loans	97,134	89,578
	<b>364,486</b>	<b>332,320</b>
<b>Analysed for reporting purposes as:</b>		
Current	89,326	81,747
Non-current	275,160	250,573
	<b>364,486</b>	<b>332,320</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Impairment loss recognised on debt instruments 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

During the current interim period, the Group provided HK\$10,041,000 impairment allowance for an individual debt security due to the deterioration of credit quality of respective security.

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

	30.6.2019 HK\$'000	31.12.2018 HK\$'000
Trade receivables — hotel operation	3,426	5,455
Accrued income	2,165	2,164
Deposits, prepayments and other receivables	28,347	30,002
	33,938	37,621

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

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

	30.6.2019 HK\$'000	31.12.2018 HK\$'000
0 to 30 days	3,336	4,633
31 to 60 days	84	691
61 to 90 days	6	131
	3,426	5,455

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 20. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

The balances are unsecured, interest-free and repayable on demand.

## 21. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	30.6.2019 HK\$'000	31.12.2018 HK\$'000
Trade payables	1,174	1,710
Rental deposits	5,047	5,095
Rental received in advance	42,303	44,332
Other payables, other deposits and accrued charges	85,761	85,971
Interest payables	65,386	67,865
	<b>199,671</b>	204,973

Trade payable aged within 60 days (31 December 2018: 60 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\$4,087,000 at 30 June 2019 (31 December 2018: HK\$4,087,000).

## 22. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings amounting to HK\$1,726,268,000 (for the six months ended 30 June 2018: HK\$2,552,091,000) and drew bank borrowings which carried interest at variable rates amounting to HK\$1,926,009,000 (for the six months ended 30 June 2018: HK\$2,593,693,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
<b>Authorised</b>	1,000,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 January 2018	673,759,726	67,376
Shares issued upon exercise of share options	2,170,000	217
Shares repurchased and cancelled	(16,528,000)	(1,653)
At 30 June 2018	659,401,726	65,940
Shares issued upon exercise of share options	3,055,000	306
Shares repurchased and cancelled	(398,000)	(40)
At 31 December 2018	662,058,726	66,206
Shares issued upon exercise of share options	150,000	15
At 30 June 2019	662,208,726	66,221

## 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\$32,373,000 (31 December 2018: HK\$32,625,000).

## 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:

- Fixed charges on investment properties with an aggregate carrying value of HK\$6,171,503,000 (31 December 2018: HK\$6,019,830,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- Fixed charges on hotel properties with an aggregate carrying value of HK\$596,167,000 (31 December 2018: HK\$606,169,000) together with a floating charge over all the assets of the property owning subsidiaries and benefits accrued to the hotel properties.
- Pledged bank deposits of HK\$1,597,537,000 (31 December 2018: HK\$1,601,152,000).
- Debt instruments at fair value through other comprehensive income of HK\$3,790,657,000 (31 December 2018: HK\$3,689,777,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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\$11,328,000 (for the six months ended 30 June 2018: HK\$51,025,000).

## 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 of an asset or a liability, 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 Board of the Company to explain the cause of fluctuations in the fair value 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 2019

## 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 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)		
Listed debt securities classified as debt instruments at fair value through other comprehensive income	3,806,449	3,689,777	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	710,449	709,900	Level 2	<p>The fair value of the notes are 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.</p> <p>The discount rate should consider the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued. The discount rate is derived by combining: 1) the Hong Kong Sovereign Zero Coupon Yield; and 2) a credit spread derived from comparable bonds with similar credit rating and maturity, as extracted from Bloomberg.</p>
Unlisted investment classified as financial assets at fair value through profit or loss — Unit fund	7,808	7,830	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.
Unlisted investment classified as financial assets at fair value through profit or loss — the preferred shares	259,544	234,912	Level 3	<p>The fair value of the instrument 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 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, volatility of the underlying share prices, and term to maturity. (note 2)</p>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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 2019 HK\$'000 (unaudited)	At 31 December 2018 HK\$'000 (audited)		
Unlisted debt instruments classified as financial assets at fair value through profit or loss — Convertible loans	97,134	89,578	Level 3	<p>The fair value of the instrument 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 the price to earnings ratio of assets in the 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, volatility of the underlying share prices, and term to maturity. (note 2)</p>

Notes:

1. The most significant unobservable input is discount for lack of marketability of 30% (31 December 2018: 35%). A decrease in discount for lack of marketability will have an increase in the fair value of the investment.
2. The significant unobservable inputs are the risk free rate of 1.84% (31 December 2018: 3.31%) and the volatility of the underlying share prices of 74.40% (31 December 2018: 40.81%). A decrease in risk free rate and volatility could result in a higher fair value of the investment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 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**

	<b>Financial assets at fair value through profit or loss HK\$'000</b>
At 1 January 2018	—
Purchase	321,387
Interest income	3,447
Exchange adjustments	(344)
At 1 January 2019	<b>324,490</b>
Interest income	<b>1,955</b>
Fair value changes	<b>31,292</b>
Exchange adjustments	<b>(1,059)</b>
At 30 June 2019	<b>356,678</b>

Fair value gains or losses on financial assets at fair value through profit or loss are included in "other gains and losses". Fair value changes of HK\$31,292,000 (over and above interest income) (for the year ended 31 December 2018: nil) are recognised in profit or loss for the current interim period.

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.

## 28. 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\$86,243,000 (31 December 2018: HK\$104,788,000).

# GLOSSARY

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

“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”	SEA 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);
“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;
“Port Lucky”	Port Lucky Limited, a company incorporated in the British Virgin Islands with limited liability;
“PRC” or “Mainland” or “Mainland 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.

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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)

