



爪哇集團
SEA Group

Stock Code 股份代號: 251

BUILDING
WITH
THE
TIMES

與時創建

2018

INTERIM REPORT 中期報告



2	Directory
3	Highlights
4	Property Portfolio
6	Location of the Group's Properties/ Project
7	Chairman's Statement
15	Corporate Governance and Other Information
21	Report on Review of Condensed Consolidated Financial Statements
22	Condensed Consolidated Statement of Profit or Loss
24	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

CONTENTS

25	Condensed Consolidated Statement of Financial Position
27	Condensed Consolidated Statement of Changes in Equity
29	Condensed Consolidated Statement of Cash Flows
31	Notes to the Condensed Consolidated Financial Statements
63	Glossary



DIRECTORY

DIRECTORS

Executive Directors

Mr. Lu Wing Chi (*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

AUDIT COMMITTEE

Mr. Leung Hok Lim (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

NOMINATION COMMITTEE

Mr. Lu Wing Chi (*Chairman*)
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

REMUNERATION COMMITTEE

Mr. Chung Pui Lam (*Chairman*)
Mr. Lu Wing Chi
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 JSM
Conyers Dill & Pearman

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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BRANCH REGISTRAR IN HONG KONG

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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

60+ YEARS OF BUILDING WITH THE TIMES

Highlights

For the period ended 30 June 2018



- Revenue from continuing operations: HK\$380.3 million (2017: HK\$236.1 million)
- Profit from continuing operations: HK\$82.4 million (2017: HK\$28.7 million)
- Profit attributable to the Shareholders: HK\$82.1 million (2017: HK\$255.7 million)
- NAV of the Group attributable to the Shareholders as at 30 June 2018:

	Total NAV (HK\$' Million)	NAV per share (HK\$)
Book NAV	5,967.8	9.1
Adjusted NAV [#]	11,351.6	17.2

[#] Hotel property (which is on cost basis in the book) adjusted to fair market value determined by independent property valuers

PROPERTY PORTFOLIO

At 30 June 2018

Particulars of Investment Properties

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
No.1 Shouson Hill Road East	Houses 1, 2, 7, 8, 9, 10, 11, 20, 21, 22 and 23 of No. 1 Shouson Hill Road East	30 June 2047	Residential	11 residential properties (each with 2 car parking spaces)	100
AUSTRALIA					
Lizard Island Resort	Lizard Island Tropical North Queensland	30 September 2050	Resort Hotel	10,500	100
UNITED KINGDOM					
John Sinclair House	16 Bernard Terrace, Edinburgh, Scotland	Freehold	Office	2,991 and 53 car parking spaces	100
20 Moorgate, London, EC2R 6DA	20 Moorgate, London, EC2R 6DA, England	Leasehold	Office	14,386.3	100
33 Old Broad Street, London	33-41 Old Broad Street and 1 to 6 Union Court London	Freehold	Office	17,760	100



PROPERTY PORTFOLIO

At 30 June 2018

Particulars of Development Properties/Properties under Development

Name of Project	Location	Stage of Completion	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Waterfront Residential Development at NKIL 6549, West Kowloon	Off Hing Wah Street West, West Kowloon (New Kowloon Inland Lot No. 6549)	Planning stage	Residential	91,700	10

Particulars of Hotel Building

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Crowne Plaza Hong Kong Causeway Bay	8 Leighton Road, Causeway Bay	6 November 2049	Hotel	14,945	100



LOCATION OF THE GROUP'S PROPERTIES/PROJECT

Hong Kong

- 1 Crowne Plaza Hong Kong Causeway Bay
- 2 No.1 Shouson Hill Road East
- 3 Waterfront Residential Development at NKIL 6549, West Kowloon

United Kingdom

- 4 John Sinclair House, Scotland
- 5 20 Moorgate, London, EC2R 6DA
- 6 33 Old Broad Street, London

Australia

- 7 Lizard Island Resort, Queensland

UNITED KINGDOM



HONG KONG



AUSTRALIA



CHAIRMAN'S STATEMENT



33 Old Broad Street, London

I am pleased to present the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2018 to the Shareholders.

Financial Summary

Turnover for the six months ended 30 June 2018 amounted to HK\$380.3 million (2017: HK\$236.1 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and income from financial investment.

Profit from continuing operations for the six months ended 30 June 2018 amounted to HK\$82.4 million (2017: HK\$28.7 million). The increase in current period was mainly due to rental income contributed by 33 Old Broad Street, London (which was purchased by the Group in 2017) during the period.

Profit attributable to the Company's shareholders for the six months ended 30 June 2018 amounted to HK\$82.1 million (2017: HK\$255.7 million), equivalent to a basic earnings per share of HK12.3 cents (2017: HK37.6 cents). The decrease in profit attributable to the Company's shareholders in current period was mainly due to one-off gain arising from the release of exchange reserve to profit or loss approximately HK\$226.9 million upon distribution in specie (as part of the Group's restructuring in 2017) recorded under profit from the discontinued operations in the same period of last year.

The reported profit attributable to the Company's shareholders included a revaluation surplus on investment properties net of deferred taxation of HK\$6.3 million (2017: revaluation surplus HK\$8.6 million). By excluding the effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK\$75.8 million (2017: HK\$247.1 million), equivalent to HK11.3 cents (2017: HK36.4 cents) per share.

CHAIRMAN'S STATEMENT

As at 30 June 2018, the Group's equity attributable to the Company's shareholders amounted to HK\$5,967.8 million (31 December 2017: HK\$6,142.6 million). The net asset value per share attributable to the Company's shareholders as at 30 June 2018 was HK\$9.1 as compared with HK\$9.1 as at 31 December 2017.

The Group's property assets by geographical location at the period end were as follows:

	30 June 2018 HK\$' million	31 December 2017 HK\$' million
Hong Kong	3,935.2	3,923.8
United Kingdom	4,399.6	4,495.2
Australia	165.8	174.6
Total	8,500.6	8,593.6

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK\$616.2 million (31 December 2017: HK\$626.2 million), whereas the market value as at 30 June 2018 as determined by an independent professional market valuation carried out by Colliers International (Hong Kong) Limited is HK\$6,000.0 million (31 December 2017: HK\$4,000.0 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 2018, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Company's shareholders would be HK\$13,884.4 million (31 December 2017: HK\$11,967.4 million), HK\$11,351.6 million (31 December 2017: HK\$9,516.4 million) and HK\$17.2 (31 December 2017: HK\$14.1) respectively.

Interim Dividend

The Board has declared an interim dividend of HK2 cents (for the six months ended 30 June 2017: HK2 cents) per share for the six months ended 30 June 2018 to the Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 4 October 2018. The relevant dividend warrants are expected to be despatched on or before Tuesday, 16 October 2018.

CHAIRMAN'S STATEMENT

Business Review

Property Investment and Development

Following the Group's restructuring in 2017, the Group continues to focus on property development and property investment projects. However, the Group 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 optimise 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, won the tender for the waterfront residential plot in Off Hing Wah Street West, West Kowloon at a price of HK\$17 billion in 2017. The site will be developed into a premium residential project in cooperation with such property developers. This project is under planning stage.

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

United Kingdom

The Group owns three investment properties in United Kingdom, namely, (i) an office building at 33 Old Broad Street, London; (ii) an office building at 20 Moorgate, London, EC2R 6DA; and (iii) John Sinclair House, an office building at 16 Bernard Terrace, Edinburgh, Scotland.

The turnover generated from these investment properties in the United Kingdom for the six months ended 30 June 2018 was HK\$98.2 million (2017: HK\$37.1 million).



Proposed Waterfront Residential Development at NKIL 6549, West Kowloon, Hong Kong

CHAIRMAN'S STATEMENT

Australia

Turnover generated from the property investment projects in Australia for the period ended 30 June 2018 was HK\$8.8 million (2017: HK\$8.0 million).

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. Its performance improved as compared to 2017, which was resulted from the general growth of tourism market and the success of the hotel's cost saving measures. The hotel will strive to gain further market share in the challenging market conditions.



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

Financial Resources and Liquidity

Working Capital and Loan Facilities

During the period, the Group issued guaranteed notes with a principal amount of US\$150,000,000, due on 19 January 2023 (the "Notes"). At maturity, the Notes are payable at their principal amount. The Notes will bear interest at the rate of 4.875% per annum payable semi-annually in arrear on 19 January and 19 July in each year.

As at 30 June 2018, the Group's total pledged bank deposits, bank balances and cash was HK\$6,699.9 million (31 December 2017: HK\$5,769.6 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\$4,646.6 million (31 December 2017: HK\$4,492.8 million) and unutilised facilities were HK\$974.0 million (31 December 2017: HK\$983.8 million).



Lizard Island Resort, Queensland

As at 30 June 2018, the Group's bank borrowings was HK\$11,009.8 million (31 December 2017: HK\$11,067.3 million) and the guaranteed notes was HK\$2,729.1 million (31 December 2017: HK\$1,553.3 million). After netting off the bank balance, cash and the financial investments, the Group had a net debt position of HK\$2,392.4 million with gearing ratio of 17.23% (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\$6,000.0 million).

CHAIRMAN'S STATEMENT



Crowne Plaza Hong Kong Causeway Bay, Hong Kong

As at 30 June 2018, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	30 June 2018 HK\$' million	31 December 2017 HK\$' million
Due		
Within 1 year	6,348.0	6,319.9
1-2 years	1,696.8	130.4
3-5 years	5,742.8	6,215.8
	13,787.6	12,666.1
Less: Unamortised front-end fee and Notes issued expenses	(48.7)	(45.5)
	13,738.9	12,620.6

CHAIRMAN'S STATEMENT

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank loans drawn as at 30 June 2018 amounted to HK\$8,132.7 million (31 December 2017: HK\$8,138.6 million) which comprised of secured bank loans of HK\$6,202.7 million (31 December 2017: HK\$6,428.6 million) and unsecured bank loans of HK\$1,930.0 million (31 December 2017: HK\$1,710.0 million). The secured bank loans were secured by properties valued at HK\$2,163.2 million (31 December 2017: HK\$2,154.2 million), listed debt securities of HK\$3,774.9 million (31 December 2017: HK\$3,983.5 million) and pledged bank deposits of HK\$1,534.2 million (31 December 2017: HK\$1,517.9 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK\$4,565.4 million (31 December 2017: HK\$4,669.8 million) and pledged bank deposits of HK\$9.3 million (31 December 2017: HK\$15.9 million) as at 30 June 2018 to secure bank loans of HK\$2,877.1 million (31 December 2017: HK\$2,964.8 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 30 June 2018, all of the Group's borrowings except the guaranteed notes were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

Staff and Emolument Policy

As at 30 June 2018, the Group had a total of 239 employees (2017: 242 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK\$77.0 million for the period ended 30 June 2018 (2017: HK\$56.7 million).

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



No.1 Shouson Hill Road East, Hong Kong

CHAIRMAN'S STATEMENT

Outlook

Notwithstanding the global economy generally maintained momentum in the first half of 2018, there are still a lot of uncertainties worldwide, such as intense international trade relationship between the US and the Mainland and the other countries, the impact of Brexit, terrorism around the world, and the pace of increase in US interest rate. Looking ahead, the latest China-United States trade war will sustain in the near future and cast a shadow in the second half of 2018.

In Mainland China, the economy performed well in the first half of 2018 with average GDP growth of 6.8% and double-digit growth in trade. Despite the impact of higher trade tariffs imposed by the US and the Mainland have become a key source of uncertainty, Mainland economy is anticipated to stay on a growth track.

Hong Kong's economy keep growing in the first half of 2018 expanding by 3.5% over a year earlier. While higher US interest rates were putting upward pressure on Hong Kong interest rate, domestic demand continued to strengthen and the employment continued to grow steadily in the first half of 2018. However, the local stock market was volatile in the first six months of 2018. Hang Seng Index reached a record high in January 2018, but experienced corrections since then. For the outlook in the remaining 2018, backed by the current momentum of global economic, domestic demand should remain largely resilient. The Hong Kong Government maintained its positive forecast for Hong Kong's GDP growth in 2018.

Property market in Hong Kong stayed strong in the first half of 2018, with support from tight supply, strong demand and sustained period of low interest rates. Overall property market has demonstrated robustness in the first half of 2018. Trading remained active with selling prices further increased in the first half of 2018. Given limited supply and strong local and PRC demand, the Group expects that the upward trend in the commercial and residential property market in Hong Kong will sustain.

Hong Kong's tourism industry gathered further momentum in the first half of 2018 with significant increase in visitor arrivals by 10%. The growth was driven mainly by the sharp growth in Mainland market. Underpinned by the notable increase in overnight visitors, both average hotel room occupancy rate and average achieved hotel room rate rose. Hong Kong tourism industry has been facing intense competition from other cities. Nevertheless, the upcoming opening of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong High Speed Rail and the Hong Kong-Zhuhai-Macao Bridge will fuel further tourism growth and attract more visitors from Greater Bay Area and worldwide to Hong Kong. The Group believes that our hotel business will benefit from further robust growth in the industry.

CHAIRMAN'S STATEMENT



20 Moorgate, London, EC2R 6DA, England

For United Kingdom, strong global economy and competitive exchange rate boosted UK exports, tourism and GDP growth in the first half of 2018. The property market was also booming. Nonetheless, due to increasing political uncertainty relating to the outcome of the Brexit negotiations and the international trade tensions, we expect that growth in UK economy will slow down and be moderate in the second half of 2018.

Looking forward, the Group is optimistic towards the long term outlook of the property and hotel market in Hong Kong. Meanwhile, the Group will step up further efforts to enhance its competitive strengths and prepare the Group for the challenges and opportunities ahead.

Lu Wing Chi
Chairman

Hong Kong, 24 August 2018

CORPORATE GOVERNANCE AND OTHER INFORMATION

During the period for the six months ended 30 June 2018, saved for the deviation as disclosed below, 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.

CG Code A.4.1 provides that non-executive directors should be appointed for a specific term, subject to re-election. Except Mr. Lincoln Lu who was appointed as the Non-executive Director for a term of three years in 2017, each of the other Non-executive Directors (including INED) does not have a specific term of appointment but is subject to retirement by rotation and re-election at the AGMs pursuant to the Bye-laws of the Company. The Bye-laws require that every Director will retire from office no later than the third AGM after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional Director (including Non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and will continuously review and recommend such proposal as appropriate in the circumstances of such deviation.

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 2018.

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) (the "Relevant Employees") to regulate their dealings in the listed shares of the Company, as the Relevant 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 2018, 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	—	413,667,730 ⁽ⁱ⁾	—	413,667,730	62.44
Lambert Lu	1,000,000	—	—	1,000,000	0.15
Lam Sing Tai	4,743,030	—	7,558	4,750,588	0.72
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 shares, 74,917,990 shares were held by Port Lucky and 338,749,740 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. NLI is 100% owned by JCS. By virtue of Mr. Lu Wing Chi's interests in JCS (as disclosed in paragraph 2 below) and NYH, he is deemed to be interested in these shares.
- (ii) The total number of issued shares of the Company as at 30 June 2018 was 662,501,726 shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2. Long positions in shares of associated corporations

Name of associated corporations	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)		
JCS	Lu Wing Chi	22,540	—	—	22,540	49.00
	Lambert Lu	11,730	—	—	11,730	25.50
	Lincoln Lu	11,730	—	—	11,730	25.50
NLI	Lu Wing Chi	—	156,460 ^(Note)	—	156,460	100.00

Note:

These shares are beneficially held by JCS and by virtue of Mr. Lu Wing Chi's interests in JCS (as disclosed above), he is deemed to be interested in these shares.

Saved as disclosed herein, as at 30 June 2018, 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 2018, 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		
JCS	—	338,749,740 ⁽ⁱ⁾	338,749,740	51.13
NLI	338,749,740	—	338,749,740	51.13
NYH	—	74,917,990 ⁽ⁱⁱ⁾	74,917,990	11.31
SEA Fortune	—	74,917,990 ⁽ⁱⁱ⁾	74,917,990	11.31
Port Lucky	74,917,990	—	74,917,990	11.31

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (i) JCS holds 100% of the issued shares in NLI. The above 338,749,740 shares held by NLI are also deemed to be JCS's interest and such shares are, therefore, duplicated between these two shareholders for the purpose of the SFO.
- (ii) NYH holds 100% of the issued shares in SEA Fortune, which in turn holds 100% of the issued shares in Port Lucky. The above 74,917,990 shares held by Port Lucky are also deemed to be interest of SEA Fortune and NYH and such shares are, therefore, duplicated between these shareholders for the purpose of the SFO.
- (iii) Messrs. Lu Wing Chi, Lambert Lu and Lincoln Lu, all being Directors, are also directors of JCS, NLI, NYH, SEA Fortune and Port Lucky.
- (iv) The total number of issued shares of the Company as at 30 June 2018 was 662,501,726 shares.

Saved as disclosed herein, as at 30 June 2018, 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 2018 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 30.06.2018
				As at 01.01.2018	Granted during the period	Exercised during the period	Lapsed during the period	
Eligible employees in aggregate	02.07.2015	6.302	01.07.2017 to 30.06.2019	225,000	—	(190,000)	—	35,000
			01.01.2018 to 31.12.2019	2,050,000	—	(1,980,000)	—	70,000
			01.07.2018 to 30.06.2020	4,250,000	—	—	(800,000)	3,450,000
	22.01.2018	12.800	01.01.2019 to 31.12.2020	—	325,000	—	—	325,000
			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	—	525,000	—	(225,000)	300,000
			01.01.2021 to 31.12.2022	—	1,950,000	—	—	1,950,000
01.07.2021 to 30.06.2023	—	2,075,000	—	(400,000)	1,675,000			
Total				6,525,000	5,775,000	(2,170,000)	(1,425,000)	8,705,000

CORPORATE GOVERNANCE AND OTHER INFORMATION

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\$13.93 per share.
- (iii) The closing price of the shares of the Company immediately before the date of grant of share options on 22 January 2018 was HK\$12.64 per share.
- (iv) No share options had been cancelled under the 2015 Share Option Scheme during the six months ended 30 June 2018.

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.

During the six months ended 30 June 2018, a total of 2,900,000 shares of the Company were awarded to the Directors without vesting period. The awarded shares were acquired by the trustee of the share award scheme in the open market after the date of grant and the awarded shares were transferred to the awardees in May 2018 at nil consideration.

Details of the shares of the Company awarded during the six months ended 30 June 2018 are as follows:

Name	Date of grant	Number of awarded shares		
		Granted during the period	Vested during the period	As at 30.06.2018
Directors				
Lu Wing Chi	22.01.2018	1,000,000	(1,000,000)	—
Lambert Lu	22.01.2018	1,000,000	(1,000,000)	—
Lam Sing Tai	22.01.2018	500,000	(500,000)	—
Lincoln Lu	22.01.2018	100,000	(100,000)	—
Walujo Santoso, Wally	22.01.2018	100,000	(100,000)	—
Leung Hok Lim	22.01.2018	100,000	(100,000)	—
Chung Pui Lam	22.01.2018	100,000	(100,000)	—
Total		2,900,000	(2,900,000)	—

CORPORATE GOVERNANCE AND OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2018, the Company repurchased a total of 16,528,000 issued ordinary shares of the Company on the Stock Exchange at an aggregate cash consideration of HK\$208,301,280 (excluding expenses). All the purchased shares were then cancelled and the number of issued shares of the Company was reduced accordingly. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2018	3,696,000	12.64	11.20	44,783,200
May 2018	12,332,000	13.00	12.00	157,100,400
June 2018	500,000	12.90	12.76	6,417,680
	<u>16,528,000</u>			<u>208,301,280</u>

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

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2018.

Update of Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Directors' information since the disclosure made in the Company's 2017 annual report up to 24 August 2018 (being the date of approval of this report) is set out below:

- Mr. Lambert Lu has been appointed as a member of the Advisory Board of the MBA Programmes of The Chinese University of Hong Kong for three years with effect from 1 August 2018.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 28 September 2018 to Thursday, 4 October 2018 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 27 September 2018.

Review of Condensed Consolidated Financial Statements

The condensed consolidated financial statements of the Group for the six months ended 30 June 2018 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

Deloitte.

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 22 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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
24 August 2018

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德勤百年慶 開創新紀元

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Continuing operations			
Revenue	3		
— Renting of investment properties		107,284	48,230
— Hotel operation		119,635	106,829
— Return from financial investment		153,401	81,057
Total revenue		380,320	236,116
Other income	4	40,050	8,746
Costs:			
Property and related costs	5	(7,059)	(4,662)
Staff costs		(76,964)	(56,724)
Depreciation and amortisation		(14,427)	(13,144)
Other expenses	6	(58,131)	(71,525)
		(156,581)	(146,055)
Profit from continuing operations before fair value changes on investment properties		263,789	98,807
Fair value changes on investment properties		6,268	8,809
Profit from continuing operations after fair value changes on investment properties		270,057	107,616
Other gains and losses	7	(25)	1,703
Share of loss of a joint venture		(3)	—
Finance costs	8	(176,295)	(74,226)
Profit before taxation	9	93,734	35,093
Income tax expense	10	(11,372)	(6,364)
Profit for the period from continuing operations		82,362	28,729
Discontinued operations			
Profit for the period from discontinued operations	11	—	713
Gain arising from Distribution in Specie (as defined in note 11)	29	—	226,927
Profit for the period from discontinued operations		—	227,640
Profit for the period		82,362	256,369

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Attributable to:			
Company's shareholders			
— Continuing operations		82,084	28,720
— Discontinued operations		—	226,935
		82,084	255,655
Non-controlling interests			
— Continuing operations		278	9
— Discontinued operations		—	705
		278	714
Profit for the period		82,362	256,369
		HK cents	HK cents
Earnings per share for profit attributable to the Company's shareholders	13		
From continuing and discontinued operations			
— Basic		12.3	37.6
— Diluted		12.2	37.2
From continuing operations			
— Basic		12.3	4.2
— Diluted		12.2	4.2
<i>Earnings per share excluding fair value changes on investment properties net of deferred tax</i>	13		
— Basic		11.3	36.4
— Diluted		11.3	36.0

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit for the period	82,362	256,369
Other comprehensive expense:		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Fair value (loss) gain on:		
Debt instruments measured at fair value through other comprehensive income	(34,278)	—
Available-for-sale investments	—	16,830
Exchange differences arising on translation of foreign operations	(9,713)	34,742
Reclassification adjustments for amounts transferred to profit or loss:		
— upon early redemption of debt instruments at fair value through other comprehensive income	25	—
— upon disposal of available-for-sale investments	—	(1,703)
— upon Distribution in Specie	—	(226,927)
	(43,966)	(177,058)
Total comprehensive income for the period	38,396	79,311
Attributable to:		
— Company's shareholders	38,118	78,708
— Non-controlling interests	278	603
Total comprehensive income for the period	38,396	79,311

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30.6.2018 HK\$'000 (unaudited)	31.12.2017 HK\$'000 (audited)
Non-current assets			
Investment properties	14	6,128,780	6,214,249
Property, plant and equipment		662,218	670,925
Club memberships		6,809	6,839
Investment in a joint venture		1,729,797	1,728,800
Available-for-sale investments	15	—	3,165,101
Financial assets at fair value through profit or loss	17	249,531	—
Debt instruments at fair value through other comprehensive income	16	2,800,551	—
Loan receivables		—	1,688
		11,577,686	11,787,602
Current assets			
Inventories		865	1,062
Available-for-sale investments	15	—	1,327,704
Debt instruments at fair value through other comprehensive income	16	1,477,303	—
Financial assets at fair value through profit or loss	17	119,177	—
Loan receivables		—	199
Note receivables		—	39,067
Trade and other receivables, deposits and prepayments	18	56,051	85,829
Tax recoverable		2	10
Amounts due from non-controlling interests	19	914	40
Pledged bank deposits	25(c)	1,543,454	1,533,852
Bank balances and cash		5,156,426	4,235,738
		8,354,192	7,223,501
Current liabilities			
Payables, rental deposits and accrued charges	20	160,774	189,703
Tax liabilities		17,391	8,811
Bank borrowings – due within one year	21	6,346,983	6,318,864
		6,525,148	6,517,378
Net current assets		1,829,044	706,123
Total assets less current liabilities		13,406,730	12,493,725

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30.6.2018 HK\$'000 (unaudited)	31.12.2017 HK\$'000 (audited)
Capital and reserves			
Share capital	23A	65,940	67,376
Reserves		5,901,827	6,075,208
Equity attributable to the Company's shareholders			
Non-controlling interests		1,776	1,498
Total equity			
Non-current liabilities			
Bank borrowings – due after one year	21	4,662,810	4,748,442
Guaranteed notes	22	2,729,059	1,553,287
Deferred taxation	24	45,318	47,914
		7,437,187	6,349,643
Total equity and non-current liabilities			
		13,406,730	12,493,725

The condensed consolidated financial statements on pages 22 to 62 were approved and authorised for issue by the Board of Directors on 24 August 2018 and are signed on its behalf by:

LU WING CHI
CHAIRMAN

LAMBERT LU
CHIEF EXECUTIVE

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the Company's shareholders														Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	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	Property revaluation reserves HK\$'000	Investment revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2017 (audited)	67,656	141,610	277,707	194,001	4,451	—	—	11,042	6,823	(63,057)	20,148	11,390,596	12,050,977	281,727	12,332,704
Profit for the period	—	—	—	—	—	—	—	—	—	—	—	255,655	255,655	714	256,369
Exchange differences arising on translation of foreign operations	—	—	—	35,016	—	—	—	—	—	—	—	—	35,016	(274)	34,742
Reclassification adjustments for amounts transferred to profit or loss upon Distribution in Specie	—	—	—	(226,927)	—	—	—	—	(6,823)	—	11	6,812	(226,927)	—	(226,927)
Fair value change on available-for-sale investments	—	—	—	—	—	—	—	—	—	16,667	—	—	16,667	163	16,830
Reclassification adjustments for amounts transferred to profit or loss upon disposal of available-for-sale investments	—	—	—	—	—	—	—	—	—	(1,703)	—	—	(1,703)	—	(1,703)
Other comprehensive (expense) income for the period	—	—	—	(191,911)	—	—	—	—	(6,823)	14,964	11	6,812	(176,947)	(111)	(177,058)
Total comprehensive income for the period	—	—	—	(191,911)	—	—	—	—	(6,823)	14,964	11	262,467	78,708	603	79,311
Recognition of equity-settled share-based payments – share options	—	—	—	—	—	—	—	(1,659)	—	—	—	2,992	1,333	—	1,333
Shares issued upon exercise of share options	511	27,232	—	—	—	—	—	(2,573)	—	—	—	—	25,170	—	25,170
Dividends paid (Note 12)	—	—	—	—	—	—	—	—	—	—	—	(2,078,544)	(2,078,544)	—	(2,078,544)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(314,322)	(314,322)
Special non-cash dividend by way of Distribution in Specie (Note 29)	—	—	—	—	—	—	—	—	—	—	—	(3,834,209)	(3,834,209)	35,676	(3,798,533)
At 30 June 2017 (unaudited)	68,167	168,842	277,707	2,090	4,451	—	—	6,810	—	(48,093)	20,159	5,743,302	6,243,435	3,684	6,247,119
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	—	—	11,671	11,671	(26)	11,645
Exchange differences arising on translation of foreign operations	—	—	—	4,575	—	—	—	—	—	—	—	—	4,575	—	4,575
Fair value change on available-for-sale investments	—	—	—	—	—	—	—	—	—	(11,526)	—	—	(11,526)	—	(11,526)
Reclassification adjustments for amounts transferred to profit or loss upon disposal of available-for-sale investments	—	—	—	—	—	—	—	—	—	31,702	—	—	31,702	—	31,702
Other comprehensive income for the period	—	—	—	4,575	—	—	—	—	—	20,176	—	—	24,751	—	24,751
Total comprehensive income (expense) for the period	—	—	—	4,575	—	—	—	—	—	20,176	—	11,671	36,422	(26)	36,396
Recognition of equity-settled share-based payments – share options	—	—	—	—	—	—	—	4,184	—	—	—	(2,992)	1,192	—	1,192
Shares issued upon exercise of share options	42	4,492	—	—	—	—	—	(1,856)	—	—	—	—	2,678	—	2,678
Lapse of vested share options	—	—	—	—	—	—	—	(2,991)	—	—	—	2,991	—	—	—
Repurchase of ordinary shares	(833)	(77,150)	—	—	—	—	—	—	—	—	—	—	(77,983)	—	(77,983)
Dividends paid	—	—	—	—	—	—	—	—	—	—	—	(13,617)	(13,617)	—	(13,617)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,160)	(2,160)
Special non-cash dividend by way of Distribution in Specie	—	—	—	—	—	—	—	—	—	—	—	(49,543)	(49,543)	—	(49,543)
At 31 December 2017 (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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to the Company's shareholders														Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	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	Property revaluation reserves HK\$'000	Investment revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	
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 loss on investment in debt instruments measured 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 measured 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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— 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)	—	—	—
Lapse of vested share options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Repurchase of ordinary shares	(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

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 shareholders over the carrying amount of the non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net cash from operating activities	97,138	97,870
Investing activities		
Purchase of property, plant and equipment	(5,699)	(3,625)
Acquisitions of investment properties through subsidiaries	—	(1,541,016)
Deposit paid for acquisition of investment properties	—	(263,234)
Additions to investment properties	(12,732)	—
Proceeds on disposal of property, plant and equipment	194	454
Purchase of available-for-sale investments	—	(598,266)
Purchase of financial assets at fair value through profit or loss	(321,432)	—
Purchase of debt instruments at fair value through other comprehensive income	(2,827,753)	—
Redemption of available-for-sale investments at maturity	—	49,480
Redemption of debt instruments at fair value through other comprehensive income	2,993,815	—
Placement of pledged bank deposits	(9,770)	(36,874)
Release of pledged bank deposits	6,586	—
Placement of bank deposits	—	(4,834,107)
Withdrawal of bank deposits	—	4,460,201
Decrease in loan receivables	1,887	1,443
Decrease in note receivables	—	15,555
Advances to non-controlling interests	(874)	(694)
Capital injection in a joint venture	(1,000)	—
Net cash used in investing activities	(176,778)	(2,750,683)
Financing activities		
Issue of guaranteed notes	1,172,940	1,555,480
Drawdown of bank loans	2,593,693	1,564,111
Repayments of bank loans	(2,552,091)	(819,565)
Payment of front-end fee	—	(9,168)
Payment of commission of guaranteed note issue	(11,202)	(13,693)
Issue of new shares	13,675	25,170
Repurchase of ordinary shares	(208,302)	—
Distribution in Specie	—	(1,743,434)
Dividends paid	(19,780)	(2,078,544)
Dividends paid to non-controlling interests	—	(314,322)
Net cash from (used in) financing activities	988,933	(1,833,965)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Net increase (decrease) in cash and cash equivalents	909,293	(4,486,778)
Cash and cash equivalents at beginning of period	4,235,738	5,538,954
Effect of foreign exchange rate changes	11,395	9,016
Cash and cash equivalents at end of period	5,156,426	1,061,192
Represented by:		
Bank balances and cash	5,156,426	5,895,299
Less: Fixed deposits with original maturity date more than 3 months and not exceeding one year	—	(4,834,107)
	5,156,426	1,061,192

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new 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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

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 2018 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period in related to revenue generated from hotel operation. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

The Group has applied HKFRS 15 retrospectively with the accumulative effect of initial applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocation the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs;
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligations for revenue generated from hotel operation is measured based on output method, which recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Revenue from hotel operation is recognised over time.

The adoption of HKFRS 15 in the current period has had no material impact on the Group's financial performance and positions for the current and prior accounting period and resulted in more disclosures as set out these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Classification and measurement of financial assets *(continued)*

Debt instruments at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulated gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured as FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in note 2(a).

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amounts due from non-controlling interest, debt instruments at FVTOCI, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Impairment under ECL model *(continued)*

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Significant increase in credit risk *(continued)*

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers the default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Measurement and recognition of ECL *(continued)*

Trade receivables

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Management has closely monitored the credit qualities and the collectability of the trade receivables and considers that there was not significant change to the expected credit loss for the trade receivables as at 1 January 2018. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any significant additional impairment loss for trade receivables as at 1 January 2018.

Other financial assets at amortised cost and debt instruments at FVTOCI

At 1 January 2018, the directors of the Company reviewed and assessed the Group's other existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements HKFRS 9. The adoption of new approach did not result in any significant impact on the amounts reported in the opening balance as at 1 January 2018 and the financial information during the six months ended 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Measurement and recognition of ECL *(continued)*

2a Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments HK\$'000	Note receivables HK\$'000	Debt instruments at FVTOCI HK\$'000	Financial assets at FVTPL HK\$'000
Closing balances at 31 December 2017		4,492,805	39,067	—	—
Effect arising from initial recognition of HKFRS 9:					
Reclassification from available-for-sale investments	(a)	(4,492,805)	—	4,486,554	6,251
Reclassification from loans and receivables	(b)	—	(39,067)	—	39,067
Opening balance at 1 January 2018		—	—	4,486,554	45,318

Notes:

- (a) Available-for-sale ("AFS") investments

From AFS investments to FVTPL

At the date of initial application of HKFRS 9, the Group's unit fund investment of HK\$6,251,000, which previously was measured at fair value, was reclassified from AFS investment to financial asset at FVTPL.

From AFS debt investments to FVTOCI

Listed and unlisted bonds with a fair value of HK\$4,486,554,000 in aggregate were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets, and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. The related fair value loss of HK\$27,917,000 relating to those investments continued to accumulate in the investment revaluation reserve as at 1 January 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(continued)*

Key changes in accounting policies resulting from application of HKFRS 9 *(continued)*

Measurement and recognition of ECL *(continued)*

2a *Summary of effects arising from initial application of HKFRS 9* *(continued)*

Notes: *(continued)*

(b) *From loans and receivables to FVTPL*

Note receivables of HK\$39,067,000 previously classified as loans and receivables was reclassified to financial assets at FVTPL upon the application of HKFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The carrying amount which was measured at amortised costs was approximate to the fair value as at 31 December 2017 and therefore, no adjustments on carrying amount on the date of initial adoption, i.e. 1 January 2018.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, 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 locations is considered as a separate operating segment by the chief operating decision maker. 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 income from time deposits and investment income from equity and bond investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. SEGMENT INFORMATION *(continued)*

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

Six months ended 30 June 2018

Continuing operations

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External sales	—	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 loss of a joint venture					(3)
Finance costs					(176,295)
Profit before taxation					93,734

Six months ended 30 June 2017

Continuing operations

	Property development HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Financial investment HK\$'000	Consolidated HK\$'000
SEGMENT REVENUE					
External sales	—	48,230	106,829	81,057	236,116
SEGMENT RESULTS					
Segment (loss) profit	(78)	52,978	27,284	81,364	161,548
Unallocated interest income					1,715
Corporate income less expenses					(53,944)
Finance costs					(74,226)
Profit before taxation					35,093

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

3. SEGMENT INFORMATION *(continued)*

Segment profit of the property investment division for the six months ended 30 June 2018 included an increase in fair value of investment properties of HK\$6,268,000 (30.6.2017: an increase in fair value of investment properties of HK\$8,809,000).

The Group does not allocate interest income generated from saving deposits, corporate income less expenses and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

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 chief operating decision makers in the resource allocation and assessment of performance.

4. OTHER INCOME

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Net exchange gain	37,676	5,728
Interest earned on bank deposits	63	1,629
Interest income from second mortgage loan	43	85
Others	2,268	1,304
	40,050	8,746

5. PROPERTY AND RELATED COSTS

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Selling and marketing expenses	454	552
Direct operating expenses on investment properties	6,605	4,110
	7,059	4,662

6. OTHER EXPENSES

Included in other expenses are the hotel operating expenses amounting to HK\$29,307,000 (1.1.2017 – 30.6.2017: HK\$26,743,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Gain on disposal of available-for-sale investments	—	1,703
Other losses	(25)	—
	(25)	1,703

8. FINANCE COSTS

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Interest on bank borrowings	106,424	37,999
Interest on guaranteed notes	60,591	31,259
Amortisation of bank borrowings front-end fee	4,440	1,660
Amortisation of guaranteed notes issue costs	3,315	2,061
Other charges	1,525	1,247
	176,295	74,226

9. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Continuing operations		
Interest earned on time deposits and bank deposits	(70,482)	(42,225)
Interest income from second mortgage loans	(43)	(85)
Depreciation of property, plant and equipment	14,397	13,114
Amortisation of club memberships	30	30
Gain on disposal of property, plant and equipment	(185)	(131)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Current tax		
Hong Kong Profits Tax	(3,240)	(794)
Australia	(1,858)	(1,598)
The United Kingdom	(7,058)	(2,984)
	(12,156)	(5,376)
Overprovision in prior years		
Hong Kong Profits Tax	—	74
	(12,156)	(5,302)
Deferred tax	784	(1,062)
	(11,372)	(6,364)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for each of the periods.

Income tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. DISCONTINUED OPERATIONS

Group reorganisation

During the six months ended 30 June 2017, the Company undertook a restructuring (the "Restructuring") by implementing an Assets Redistribution (as defined below) and a Distribution in Specie (as defined below).

On 31 March 2017, the Company entered into a sale and purchase agreement with Asian Growth Properties Limited ("AGP") (a 97.17% owned subsidiary of the Company prior to completion of the Restructuring) pursuant to which AGP's non-PRC assets (being certain bank balances and cash, an investment property in the United Kingdom ("UK") (20 Moorgate), a hotel property in Hong Kong (Crowne Plaza Hong Kong Causeway Bay) and certain short-term treasury investments) were redistributed to the Company by way of sale and purchase (the "Assets Redistribution").

On 15 May 2017, the Company completed distribution of a special non-cash dividend by way of Distribution in Specie of 861,278,857 AGP shares owned by the Company (representing approximately 97.17% of the issued share capital of AGP) to the Company's qualifying shareholders in proportion to their then respective shareholdings in the Company (the "Distribution in Specie"). Following the Distribution in Specie, AGP ceased as a subsidiary of the Company, and accordingly the Group ceased its business and operations in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

11. DISCONTINUED OPERATIONS *(continued)*

Group reorganisation *(continued)*

The profit for the period from the discontinued operations is analysed as follows:

	Six months ended 30 June 2017 HK\$'000
Profit for the period from the discontinued operations before gain arising from Distribution in Specie	713
Gain arising from Distribution in Specie:	
Realisation of translation reserve	226,927

The results of the discontinued operations for the period from 1 January 2017 to 15 May 2017, which have been included in the condensed consolidated statement of profit or loss, were as follows:

	Six months ended 30 June 2017 HK\$'000
Revenue	51,127
Other income	3,940
Costs:	
Property and related costs	(9,083)
Staff costs	(20,929)
Depreciation and amortisation	(857)
Other expenses	(14,076)
	(44,945)
Profit before fair value changes on investment properties	10,122
Fair value changes on investment properties	—
Profit after fair value changes on investment properties	10,122
Finance costs	(4,211)
Profit before tax	5,911
Income tax expense	(5,198)
Profit for the period	713

The carrying amounts of the assets and liabilities of AGP and its subsidiaries upon Distribution in Specie are set out in note 29.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

12. DIVIDENDS

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Dividends recognised as a distribution during the period:		
Final dividend for the year ended 31 December 2017 of HK3 cents per share (for the six months ended 30 June 2017: final dividend for the year ended 31 December 2016 of HK6 cents per share)	19,780	40,900
Special cash dividend of HK\$3 per share	—	2,037,644
Special non-cash dividend by way of Distribution in Specie (note 29)	—	3,834,209
	19,780	5,912,753

Subsequent to the end of the current interim period, the directors of the Company have declared an interim dividend of HK2 cents (2017: HK2 cents) per share amounting to HK\$13,225,000 in aggregate (2017: HK\$13,617,000) payable to the shareholders of the Company whose names appear on the register of members of the Company on 4 October 2018.

13. EARNINGS PER SHARE

From continuing and discontinued operations

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	
	2018 HK\$'000	2017 HK\$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to the owners of the Company	82,084	255,655

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. EARNINGS PER SHARE *(continued)*

From continuing and discontinued operations *(continued)*

	Number of shares	
	Six months ended 30 June	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	668,739,803	679,087,875
Effect of dilutive potential ordinary shares options	2,937,716	8,005,544
Weighted average number of ordinary shares for the purpose of diluted earnings per share	671,677,519	687,093,419

From continuing operations

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to the Company's shareholders	82,084	255,655
Less: result for the period from discontinued operations attributable to the Company's shareholders	—	(226,935)
Profit for the period from continuing operations attributable to the Company's shareholders	82,084	28,720

From discontinued operations

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Profit for the period from discontinued operations attributable to the Company's shareholders	—	226,935
Basic earnings per share	N/A	HK33.4 cents
Diluted earnings per share	N/A	HK33.0 cents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

13. EARNINGS PER SHARE *(continued)*

From continuing and discontinued operations (excluding fair value changes on investment properties net of deferred tax)

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

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Profit for the period attributable to the Company’s shareholders as shown in the condensed consolidated statement of profit or loss	82,084	255,655
Fair value changes on investment properties	(6,268)	(8,809)
Attributable to non-controlling interests	—	248
Adjusted profit attributable to the Company’s shareholders	75,816	247,094
Earnings per share excluding fair value changes on investment properties net of deferred tax		
Basic	HK11.3 cents	HK36.4 cents
Diluted	HK11.3 cents	HK36.0 cents

The denominators used in the calculation of basic and diluted adjusted earnings per share (i) from continuing operations, (ii) from discontinued operations and (iii) from continuing and discontinued operations (excluding fair value changes on investment properties net of any deferred tax) for the six months ended 30 June 2018 and 2017 are the same as those detailed in the calculation of basic and diluted adjusted earnings per share from continuing and discontinued operations above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

14. INVESTMENT PROPERTIES

Details of the valuation methodology are as follows:

Valuer	Class of properties	Valuation methodology	Fair value hierarchy
Colliers International (Hong Kong) Limited*	Residential units in Hong Kong	The valuers have 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
Colliers International Valuation UK LLP#	Office portion in the United Kingdom	The valuers have used the income capitalisation approach in which the valuers have reflected the current lease terms and capitalised the appropriate income stream, having regard to market comparable evidence.	Level 3
Directors' estimation	Office portion in the United Kingdom, residential units in Hong Kong and resort portion in Australia	The valuation were fair valued by directors. In the opinion of the directors of the Company, the aggregate carrying amount of the Group's investment properties in Australia and the United Kingdom which are determined by using income capitalisation approach; and the investment properties in Hong Kong which are determined by using direct comparison 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

* Colliers International (Hong Kong) Limited is an independent professional valuer not connected to the Group and is regulated by the Royal Institution of Chartered Surveyors ("RICS"). The valuation has been prepared in accordance with RICS Valuation – Global Standards 2017, incorporating the International Valuation Standards 2017.

Colliers International Valuation UK LLP is an independent professional valuer not connected to the Group and is regulated by the RICS. The valuation has been prepared in accordance with RICS Valuation – Global Standards 2017, incorporating the IVSC International Valuation Standards (the "RICS Red Book").

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

14. INVESTMENT PROPERTIES *(continued)*

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

The valuation of investment properties with carrying amount of HK\$5,880,350,000 as at 30 June 2018 were carried out by independent qualified valuers as mentioned in above table. The increase in fair value of investment properties of HK\$6,268,000 has been recognised directly in profit or loss for the six months ended 30 June 2018.

The valuation of the remaining investment properties with carrying amount of HK\$248,430,000 as at 30 June 2018 were carried out by the directors. In the opinion of the directors of the Company, there is no material change of the fair value during the period ended 30 June 2018.

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, and the valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The Group works closely with the independent qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the model.

There has been no change from the 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.

The key inputs used in valuing the investment properties amounting to HK\$4,565,380,000 under the income capitalisation approach were the capitalisation rates used and annual unit rent. A slight increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. The higher the annual unit rent, the higher the fair value and vice versa.

The key inputs used in valuing the investment properties amounting to HK\$1,563,400,000 under the direct comparison/market approach was the residential unit comparable price per square feet. An increase in the residential unit comparable price per square feet used would result in a corresponding increase in the fair value measurement of the investment properties, and vice versa.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

15. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2018 HK\$'000	31.12.2017 HK\$'000
Unlisted investments at fair value:		
— Debt securities (Note 16(i))	—	503,000
— Unit fund (Note 2a)	—	6,251
	—	509,251
Listed investments at fair value:		
— Debt securities maturing between the period from January 2018 to September 2021 with fixed interests ranging from 1.6% to 8.7% per annum (Note 16(ii))	—	3,983,554
Total	—	4,492,805
Analysed for reporting purposes as:		
Current assets	—	1,327,704
Non-current assets	—	3,165,101
	—	4,492,805

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

16. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30.6.2018 HK\$'000	31.12.2017 HK\$'000
Unlisted investments at fair value:		
— Debt securities (Note i)	502,952	—
Listed investments at fair value:		
— Debt securities maturing between the period from July 2018 to September 2021 with a fixed interest ranging from 1.6% to 7.6% per annum (Note ii)	3,774,902	—
Total	4,277,854	—
Analysed for reporting purposes as:		
Current assets	1,477,303	—
Non-current assets	2,800,551	—
	4,277,854	—

Notes:

- (i) As at 30 June 2018, the Group held a note issued by China Strategic Holdings Limited (an independent company listed on the Stock Exchange with principal activities of investment in securities trading, money lending as well as securities brokerage) at an aggregate principal amount of HK\$500 million with a maturity date in December 2018 at a coupon rate of 7% per annum for the first year and 8% per annum for the second year (the "Note"). The Note entitles the issuer to early redeem on the first anniversary of the issue date of the Note, in whole but not in part, at 100% of the principal amount outstanding, together with the accrued and unpaid interest at the date fixed for redemption. As at 30 June 2018, the Note is measured at fair value (31.12.2017: fair value) determined based on the valuation conducted by the directors of the Company (31.12.2017: an independent professional valuer).
- (ii) As at 30 June 2018, the Group's investments in listed debt securities with principal amount ranging from US\$0.2 million to US\$23.0 million will be maturing between July 2018 to September 2021 with fixed interests ranging from 1.6% to 7.6% per annum (31.12.2017: January 2018 to September 2021 with fixed interests ranging from 1.6% to 8.7% per annum), which has been pledged as security for the bank borrowings (31.12.2017: pledged).

Included in the segment revenue of the financial investments division was the interest income of the listed debt securities of HK\$62,853,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: HK\$37,942,000).

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2018 HK\$'000	31.12.2017 HK\$'000
Unlisted investment		
— in the Cayman Islands (Note i)	235,407	—
— Unit fund	6,277	—
	241,684	—
Debt instruments		
Convertible loans (Note ii)	87,789	—
Principal protected index-linked note (Note iii)	39,235	—
	127,024	—
	368,708	—
Analysis:		
Current	119,177	—
Non-current	249,531	—
	368,708	—

Notes:

- (i) During the six months period ended 30 June 2018, the Group has acquired US\$30 million (approximately HK\$235,407,000) preferred shares (the "Preferred Shares") issued by an unlisted entity incorporated in the Cayman Islands and the Group is entitled to dividend as the ordinary shareholders of the entity. Subject to the consent of certain Preferred Shares holders, the Group is entitled to redeem all or part of the Preferred Shares, at any time after the earlier of the entity has not consummated initial public offering by 31 December 2020 or occurrence of certain events as set out in the memorandum of articles of this entity. In addition, the Group is entitled to receive 107% of the Preferred Shares investment amount upon liquidation of the entity.

The Preferred Shares do not qualify as equity instrument, in addition, it does not represent solely payment for principal and interest of the principal amount, and it is therefore, measured at fair value through profit or loss. As at 30 June 2018, fair value of HK\$235,407,000 has been determined by the valuation assessment performed by the directors of the Company.

- (ii) Included in convertible notes is US\$10 million (approximately HK\$78,398,000) convertible note issued by the same unlisted entity as mentioned in note (i) above, at a 5% coupon rate and with a maturity date on February 2019. This convertible note allows the Group to convert the outstanding loan balance and unpaid interest into the fixed number of the Preferred Shares based on the initial issue price of the Preferred Shares upon the earlier of the maturity date or the occurrence of the conversion deadline triggering event as pursuant to the relevant agreement. As at 30 June 2018, the fair value of this convertible note amounting to HK\$79,942,000 has been determined by the valuation assessment performed by the directors of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

Notes: (continued)

- (iii) As at 30 June 2018, the amount represents the fair value of principal protected index-linked note with a principal amount of US\$5,000,000 (equivalent to HK\$39,235,000) (as at 31 December 2017: US\$5,000,000 (equivalent to HK\$39,067,000) classified as note receivable) maturing on 9 August 2018. The index is a proprietary index named Forex Yield Differential Accrual Perpetual Index, which is a proprietary non-discretionary algorithm to calculate the risk filter multiple of non-discretionary trading that observes a basket of ten currencies.
- (iv) Details of fair value measurement are disclosed in note 27.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2018 HK\$'000	31.12.2017 HK\$'000
Trade receivables	4,161	6,633
Accrued income	2,164	2,163
Deposits, prepayments and other receivables	49,726	77,033
	56,051	85,829

Trade receivables mainly represent rental receivables from tenants for the use of the Group's properties and receivables from corporate customers and travel agents for the use of hotel facilities. Rentals are payable upon presentation of demand notes. An average credit period of 30 days is allowed to corporate customers and travel agents.

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:

	30.6.2018 HK\$'000	31.12.2017 HK\$'000
0 to 30 days	3,499	6,142
31 to 60 days	197	245
61 to 90 days	19	138
91 to 365 days	446	108
	4,161	6,633

Based on past experience, the directors consider that no provision for impairment allowance on trade and other receivables is necessary in respect of these balances as there has not been any significant change in credit quality and balances are still considered as fully recoverable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

19. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

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

20. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	30.6.2018 HK\$'000	31.12.2017 HK\$'000
Trade payables	1,471	2,212
Rental deposits	5,509	6,181
Rental received in advance	43,574	59,077
Other payables, other deposits and accrued charges	44,556	72,288
Interest payables	65,664	49,945
	160,774	189,703

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 2018 (31.12.2017: HK\$5,896,000).

21. BANK BORROWINGS

During the current interim period, the Group repaid bank loans amounting to HK\$2,552,091,000 (1.1.2017 to 30.6.2017: HK\$819,565,000) and drew bank loans which carry interest at variable rates amounting to HK\$2,593,693,000 (1.1.2017 to 30.6.2017: HK\$1,564,111,000).

22. GUARANTEED NOTES

On 19 January 2017, the Group issued US\$200,000,000 4.5% guaranteed notes with a maturity of three years due on 19 January 2020 guaranteed by the Company (the "Guaranteed Notes 2017"). At maturity date, the Guaranteed Notes 2017 are payable at their principal amount.

The Guaranteed Notes 2017 bear interest at 4.50% per annum, payable semi-annually in arrears on 19 January and 19 July in each year.

On 19 January 2018, the Group further issued US\$150,000,000 (approximately equivalent to HK\$1,172,940,000) 4.875% guaranteed notes with a maturity of five years due on 19 January 2023 guaranteed by the Company (the "Guaranteed Notes 2018"). At maturity date, the Guaranteed Notes 2018 are payable at their principal amount.

The Guaranteed Notes 2018 bear interest at 4.875% per annum, payable semi-annually in arrears on 19 January and 19 July in each year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

23A. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value HK\$'000
Authorised	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2017	676,564,726	67,656
Shares issued upon exercise of share options	5,102,000	511
At 30 June 2017	681,666,726	68,167
Shares issued upon exercise of share options	425,000	42
Repurchase of ordinary shares	(8,332,000)	(833)
At 31 December 2017	673,759,726	67,376
Shares issued upon exercise of share options	2,170,000	217
Repurchase of ordinary shares (Note)	(16,528,000)	(1,653)
At 30 June 2018	659,401,726	65,940

Note: During the period under review, the Company repurchased 16,528,000 (during the year ended 31 December 2017: 8,332,000) of its own ordinary shares at prices ranging from HK\$11.20 to HK\$13.00 (during the year ended 31 December 2017: HK\$7.64 to HK\$12.30) for an aggregate consideration of HK\$208,302,000 (during the year ended 31 December 2017: HK\$77,983,000). All 16,528,000 shares repurchased were cancelled, of which 13,428,000 shares were cancelled during the six months period ended 30 June 2018 and the remaining 3,100,000 shares were cancelled in July 2018.

23B. SHARE-BASED PAYMENTS

The 2015 Share Option Scheme was adopted to recognise and acknowledge the performance and/or contribution of the eligible participants. On 22 January 2018, the Company offered to grant share options and the validity period of the share options is from the date of grant up to 30 June 2023.

The table below discloses movement of the Company's share options held by the Group's employees granted on 22 January 2018:

	Number of Share options
Granted during the period	5,775,000
Lapsed during the period	(625,000)
Outstanding as at 30 June 2018	5,150,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

23B. SHARE-BASED PAYMENTS *(continued)*

The closing price of the Company's share immediately before 22 January 2018, the date of grant, was HK\$12.64.

In the current interim period, share options were granted on 22 January 2018. The fair values of options determined at the dates of grant using the Binominal Option Pricing model were HK\$4,339,000.

The following assumptions were used to calculate the fair values of share options:

	22 January 2018
Share price as at grant date:	HK\$12.80
Exercise price:	HK\$12.80
Expected volatility:	25.31%-34.27%
Expected dividend yield:	0.62%
Risk-free rate:	1.53%-1.82%

The Binominal Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of option varied with different variables of certain subjective assumptions.

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share option reserve.

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\$34,361,000 (31.12.2017: HK\$36,122,000).

25. PLEDGE OF ASSETS

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

- (a) Fixed charges on investment properties with an aggregate carrying value of HK\$6,112,380,000 (31.12.2017: HK\$6,197,849,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.
- (b) Fixed charges on hotel properties with an aggregate carrying value of HK\$616,222,000 (31.12.2017: HK\$626,226,000) together with a floating charge over all the assets of the property owning subsidiaries and benefits accrued to the hotel properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

25. PLEDGE OF ASSETS *(continued)*

- (c) Pledged bank balances and cash of HK\$1,543,454,000 (31.12.2017: HK\$1,533,852,000).
- (d) Debt instruments at fair value through other comprehensive income of HK\$3,774,902,000 (31.12.2017: listed debt securities classified as available-for-sale investment HK\$3,983,554,000).

26. RELATED PARTY DISCLOSURES

The remuneration of the Company's directors who are the Group's key management personnel during the current interim period amounting to HK\$51,025,000 (1.1.2017 – 30.6.2017: HK\$17,252,000).

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

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

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets 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 (Levels 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 2018

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)		
Listed debt securities classified as debt instruments at fair value through other comprehensive income (31.12.2017: available-for-sale investment) (Note 16(ii))	3,774,902	3,983,554	Level 1	Quoted prices in an active market
Unlisted debt investments classified as debt instruments at fair value through other comprehensive income (31.12.2017: available-for-sale investment) (Note 16(i))	502,952	503,000	Level 2	The fair value of the note is determined by the discounted cash flow model. It is estimated by computing the sum of the present values of all expected future cash flows for an appropriate period, each discounted by their prevailing market rates of interest for a similar instrument with a similar credit rating respectively. This 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 Yields; and 2) a credit spread derived from comparable bonds with similar credit rating and maturity, as extracted from Bloomberg.
Unlisted investment – Unit Funds classified as financial assets at fair value through profit or loss (31.12.2017: available-for-sale investments) (Note 17)	6,277	6,251	Level 2	The fund is non-redeemable. The fair value is measured based on the shared percentages of net asset value, net of fund management fee and expenses in issue as stipulated in the relevant agreement.
Unlisted investment – the Preferred Shares classified as financial assets at fair value through profit or loss (31.12.2017: nil) (Note 17(i))	235,407	—	Level 2	The fair value is measured by reference to the latest market transaction.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	At 30 June 2018 HK\$'000 (unaudited)	At 31 December 2017 HK\$'000 (audited)		
Unlisted debt investments classified as financial assets at fair value through profit or loss (31.12.2017: note receivable) (Note 17(iii))	39,235	39,067	Level 2	The fair value of principal protected index-linked note is based on the proprietary index named Forex Yield Differential Accrual Perpetual Index for a basket of ten currencies. The fair value is determined based on the observable market conditions existing of the relevant forward exchange rates at the end of the reporting period and comparing them to the contractual rates.
Unlisted debt investments classified as financial assets at fair value through profit or loss (31.12.2017: nil) (Note 17(ii))	87,789	—	Level 3	The fair value is determined by discounted cash flow model for debt component. The key inputs are credit rating of the issuer, expected cash flows, discount rate and remaining time to maturity.

Reconciliation of Level 3 fair value measurement of financial asset:

	Unlisted debt investments classified as financial assets at fair value through profit or loss HK\$'000
At 1 January 2018	—
Purchase	86,238
Exchange differences	1,551
At 30 June 2018	87,789

No sensitivity analysis is disclosed for the impact of changes in the relevant observable data under discounted cash flow in respect of the unlisted debt investments classified as financial assets at fair value through profit or loss, as the management considers that the exposure is insignificant to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

Fair value measurements and valuation processes for Level 3 financial instruments

Specific valuation techniques used to value level 3 financial instruments include techniques such as discounted cash flow analysis. The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer and external valuers will be engaged, if necessary.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

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)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried 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 using the prevailing market rates as input.

28. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) No. 1 Shouson Hill Road East, Hong Kong

On 4 May 2017, the Group entered into sale and purchase agreements with independent third parties to acquire the entire issued share capital of the companies that owned the properties known as Shouson Hill properties for a total consideration of approximately HK\$1,527 million. The completion of acquisition took place on 13 June 2017.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Investment properties	1,537,403
Receivables, deposits and prepayments	975
Payables, rental deposits and accrued charges	(3,465)
Tax liabilities	(221)
Deferred taxation	(7,257)
Total consideration settled by cash	1,527,435

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

28. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(continued)*

(b) 33 Old Broad Street, London, the United Kingdom

On 15 May 2017, the Group entered into sales and purchase agreements with an independent third party to acquire the entire issued share capital of the companies that owned the properties known as 33-41 Old Broad Street and 1 to 6 Union Court London, EC4N 1DY for a total consideration of approximately £258 million. The acquisition was funded by existing cash resources and financed by a term loan facility in the maximum principal amount of £169 million from a bank secured by the property. The completion of the acquisition took place on 17 July 2017.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Investment properties	2,634,253
Payables, rental deposits and accrued charges	(18,510)
Total consideration settled by cash	2,615,743

29. DISTRIBUTION IN SPECIE

As set out in note 11, the Company completed the Distribution in Specie on 15 May 2017. The assets and liabilities of AGP and its subsidiaries upon completion of the Distribution in Specie are as follows:

	HK\$'000
Investment properties	1,967,473
Property, plant and equipment	41,972
Available-for-sale investments	11,682
Properties held for sale	194,521
Receivables, deposits and prepayments	530,301
Restricted bank deposits	5,660
Bank balances and cash	1,743,434
Payables, rental deposits and accrued charges	(126,625)
Tax liabilities	(5,484)
Amounts due to non-controlling interests	(88,860)
Bank borrowings	(133,868)
Deferred taxation	(341,673)
Non-controlling interests	3,798,533
	35,676
Net assets attributable to Company's shareholders and distributed by the Company through Distribution in Specie	3,834,209
Gain arising from Distribution in Specie:	
Realisation of translation reserve upon Distribution in Specie	226,927
Net cash outflow arising on Distribution in Specie	
Bank balances and cash	(1,743,434)

GLOSSARY

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

“AGM(s)”	the annual general meeting(s) of the Company;
“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors;
“CG Code”	the Corporate Governance Code;
“Chairman”	the chairman of the Board;
“Chief Executive”	the chief executive of the Company;
“Company” or “SEA”	S E A Holdings Limited is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 251);
“Deloitte”	Deloitte Touche Tohmatsu, Certified Public Accountants;
“Director(s)”	the director(s) of the Company;
“Executive Committee”	the executive committee of the Company;
“Executive Director(s)”	the executive Director(s);
“Group”	the Company and its subsidiaries;
“HK\$”	the lawful currency of Hong Kong for the time being;
“HKAS”	Hong Kong Accounting Standards;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Non-executive Director(s)” or “INED”	the independent non-executive Director(s);
“JCS”	JCS Limited, an exempted company incorporated in Bermuda with limited liability;
“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;

GLOSSARY

“NAV”	net asset value;
“NLI”	Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;
“Non-executive Director(s)”	the non-executive Director(s);
“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 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;
“£”	pound sterling, the lawful currency of the United Kingdom; and
“2015 Share Option Scheme”	the share option scheme adopted by the Company on 29 May 2015.

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(於百慕達註冊成立之有限公司)

