爪哇集團
SEA Group

Stock Code 股份代號: 251

2017
Annual Report 年報

與時創建
Building with the times

CONTENTS

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

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

26/F., Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2828 6363
Fax: (852) 2598 6861
E-mail: info@seagroup.com.hk

BRANCH REGISTRAR IN HONG KONG

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2528 3158

LISTING

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

STOCK CODE AND BOARD LOT

251/2,000 shares

WEBSITE

www.seagroup.com.hk

60+ Years of Building with the Times

Highlights

For the year ended 31 December 2017

- Turnover#: HK$627.6 million (2016: HK$566.0 million)
- Profit attributable to the Shareholders: HK$267.3 million (2016: HK$684.3 million)
- NAV of the Group attributable to the Shareholders:

	Total NAV (HK$' Million)	NAV per share (HK$)
Book NAV	6,142.6	9.1
Adjusted NAV*	9,516.4	14.1

- Unlocked value to the Shareholders through distribution of special cash dividend and restructuring of AGP
- First issue of principal amount of US$200,000,000 4.5% guaranteed notes with 3-year maturity drew overwhelming market response
- Acquired Shouson Hill Properties at approximately HK$1.5 billion and Bank of Scotland's Headquarter in London at approximately HK$2.6 billion
- As part of the consortium won the tender for West Kowloon Waterfront residential site at a price of HK$17 billion
- Subsequent to the year ended 31 December 2017, further issue of principal amount of US$150,000,000 at 4.875% guaranteed notes with 5-year maturity

Turnover represented continuing and discontinued operations

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

Financial Highlights

Five-Year Financial Summary

Results

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Revenue	**627.6** Note 1	566.0	732.7	668.5	884.2
Profit for the year before non-controlling interests	**268.0**	571.9	1,463.2	703.6	524.8
Non-controlling interests	**(0.7)**	112.4	(27.3)	(19.1)	(14.7)
Profit for the year attributable to the Company's shareholders	**267.3**	684.3	1,435.9	684.5	510.1

Assets and Liabilities

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Total assets	**19,011.1**	17,279.9	19,079.7	17,947.5	16,249.9
Total liabilities	**(12,867.0)**	(4,947.2)	(5,561.3)	(5,322.9)	(4,288.5)
Non-controlling interests	**(1.5)**	(281.7)	(444.0)	(427.6)	(410.3)
Equity attributable to the Company's shareholders	**6,142.6**	12,051.0	13,074.4	12,197.0	11,551.1

Performance Data

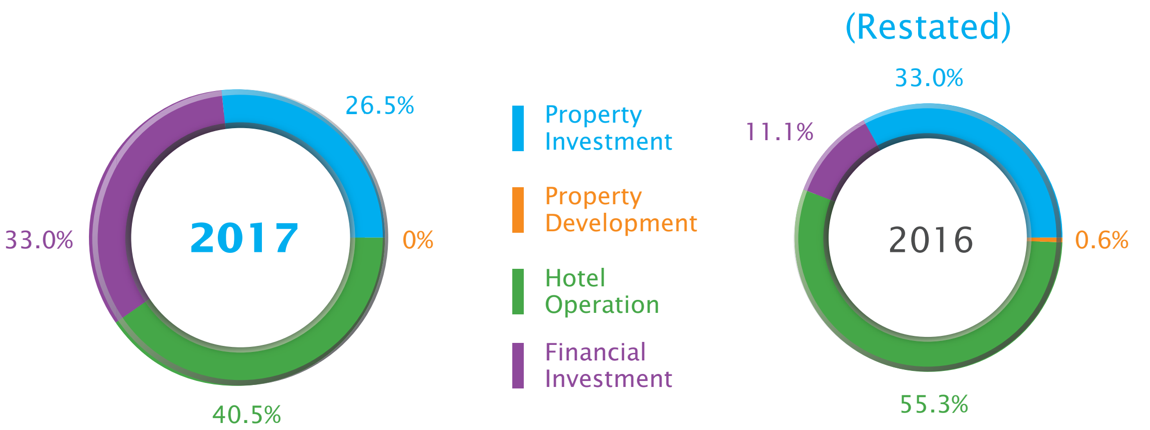
	2017	2016	2015	2014	2013
	HK$	HK$	HK$	HK$	HK$
Basic earnings per share for profit attributable to the Company's shareholders	**0.39**	1.01	2.09	1.00	0.76
Basic earnings per share excluding fair value changes on investment properties net of deferred tax	**0.37**	1.13	0.70	0.15	0.39
Dividends declared (per share) Note 2	**3.05**	0.11	2.11	0.11	0.11
Net asset value per share attributable to the Company's shareholders	**9.12**	17.81	19.29	17.69	17.18

Note 1: The revenue for 2017 represented continuing operations HK$576.5 million and discontinued operations HK$51.1 million respectively.

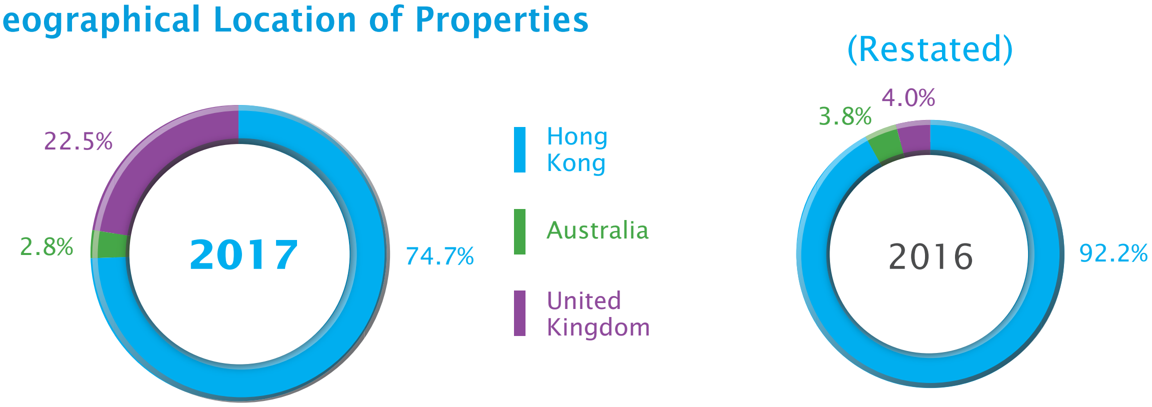
Note 2: Other than the above cash dividend declared, the distribution of a special non-cash dividend by way of distribution in specie of HK$3,883.8 million was completed on 15 May 2017. For further details, please refer to note 43 to the consolidated financial statements.

Financial Highlights

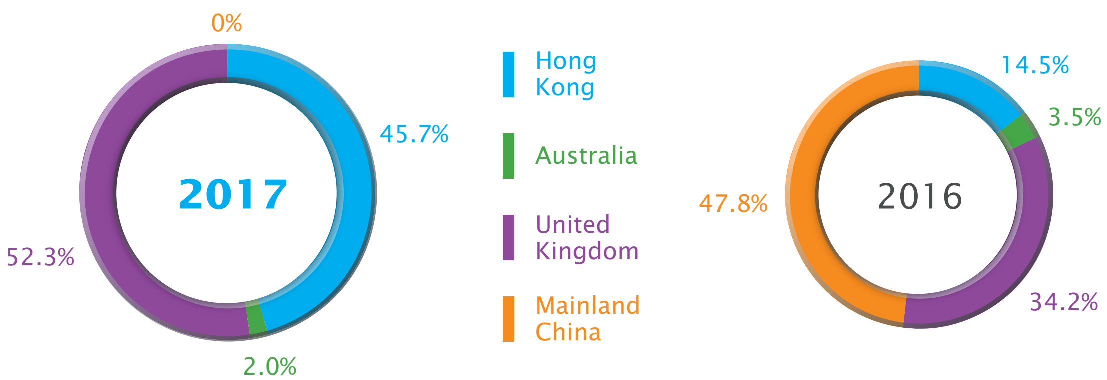
Segment Revenue from Continuing Operations for External Sales



Revenue from Continuing Operations for External Customers by Geographical Location of Properties



Property Assets by Geographical Segment



Property Portfolio

At 31 December 2017

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

Particulars of Hotel Building

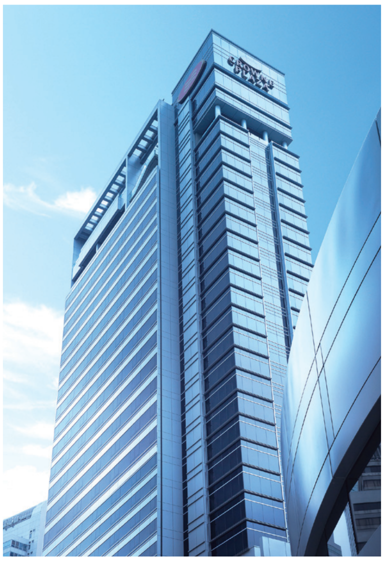
Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Crowne Plaza Hong Kong Causeway Bay	8 Leighton Road, Causeway Bay	6 November 2049	Hotel	14,945	100

Property Portfolio

At 31 December 2017

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



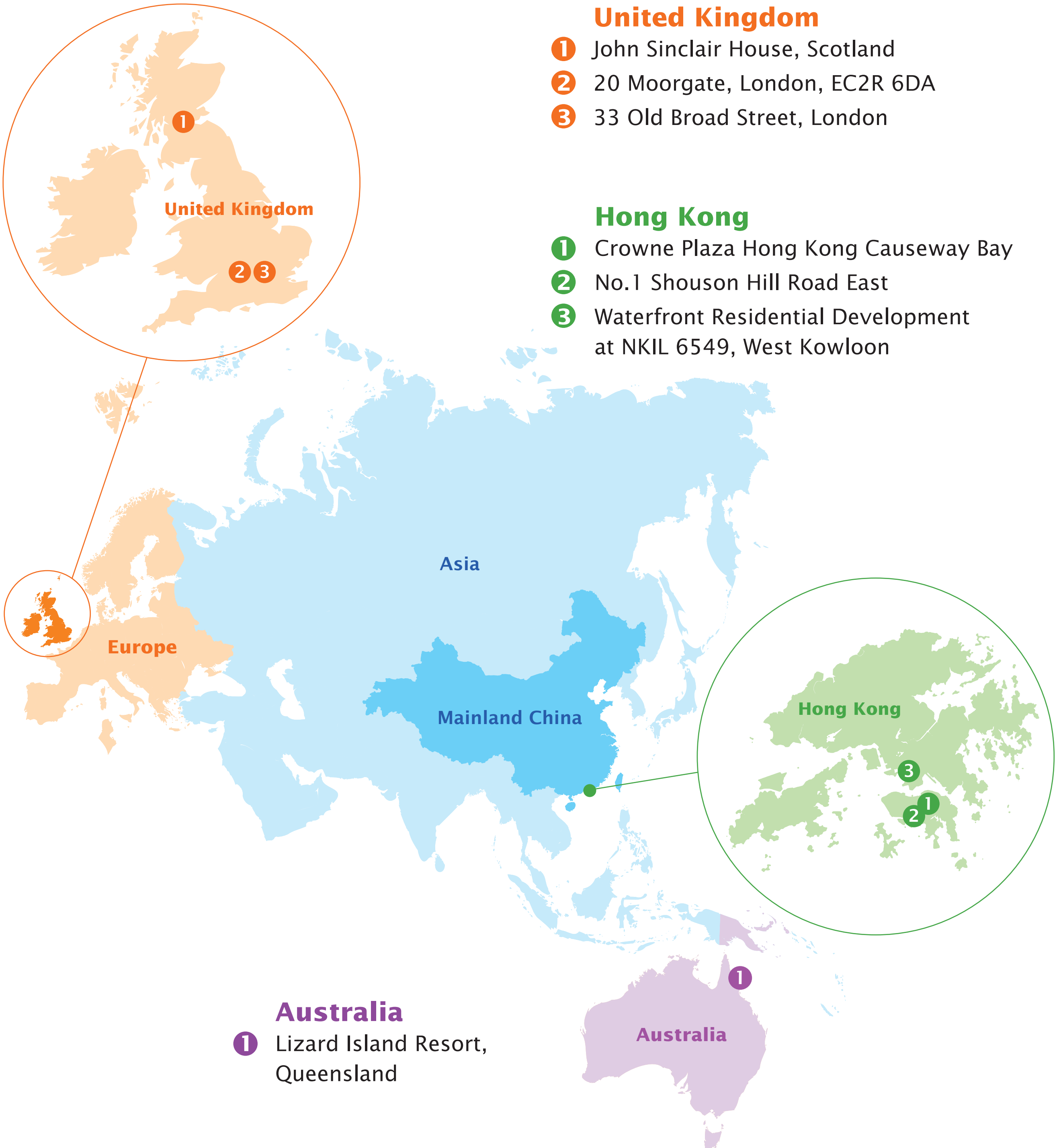
Location of the Group's Properties/Project

United Kingdom

1. John Sinclair House, Scotland
2. 20 Moorgate, London, EC2R 6DA
3. 33 Old Broad Street, London

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



Australia

1. Lizard Island Resort, Queensland

Financial Calendar

RESULTS ANNOUNCEMENTS

2017 Annual results announcement	28 March 2018 (Wednesday)
2018 Interim results announcement	on or before 31 August 2018 (Friday)

BOOK CLOSE DATE

For ascertaining Shareholders' entitlement to attend and vote at 2018 Annual General Meeting

Latest time to lodge transfer documents	4:30 p.m. on 21 May 2018 (Monday)
Closure of register of members	23 May 2018 (Wednesday) to 29 May 2018 (Tuesday) (both days inclusive)
Record date and time	4:30 p.m. on 23 May 2018 (Wednesday)

For ascertaining Shareholders' entitlement to the proposed final dividend

Latest time to lodge transfer documents	4:30 p.m. on 6 June 2018 (Wednesday)
Closure of register of members	7 June 2018 (Thursday) to 11 June 2018 (Monday) (both days inclusive)
Record date	11 June 2018 (Monday)

ANNUAL GENERAL MEETING

2018 AGM	29 May 2018 (Tuesday)

FINAL DIVIDEND

Ex-dividend date for 2017 final dividend	5 June 2018 (Tuesday)
Payment of 2017 final dividend (subject to Shareholders' approval at the 2018 AGM)	21 June 2018 (Thursday)

Directors' Biographical Information

Mr. Lu, aged 71, joined the Group in 1969 and is the Chairman and Executive Director, the chairman of the Nomination Committee and the Executive Committee and a member of the Remuneration Committee. He is also a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the immediate holding company of NLI). Mr. Lu served as a director of AGP (previously listed on the London Stock Exchange) until December 2017. He has over 45 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations.

Mr. Lu is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lambert Lu (the Chief Executive and Executive Director) and Mr. Lincoln Lu (the Non-executive Director).

LU WING CHI

Chairman
Executive Director

Mr. Lu, aged 41, joined the Group in 1999 and was appointed as an Executive Director in December 2003 and as the Chief Executive on 15 May 2017. He is a member of both the Executive Committee and Remuneration Committee and a director of a number of companies within the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the immediate holding company of NLI). Mr. Lu served as a director of AGP (previously listed on the London Stock Exchange) until December 2017.

Mr. Lu is a member of the Henan Committee of Chinese People's Political Consultative Conference and was previously a vice chairman of The Chamber of Hong Kong Listed Companies. He holds a Bachelor's degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi (the Chairman and Executive Director) and the brother of Mr. Lincoln Lu (the Non-executive Director).

LAMBERT LU

Chief Executive
Executive Director

Directors' Biographical Information

Mr. Lam, aged 71, joined the Group in 1973 and was appointed as a Non-executive Director in April 2006. He has over 40 years of solid experience in property development and investment. He is currently the general manager of South-East Asia Investment And Agency Company, Limited (a principal wholly-owned subsidiary of the Company) and a director of various members of the Group. Mr. Lam served as a director of AGP (previously listed on the London Stock Exchange) until December 2017.

LAM SING TAI

Non-executive Director

Mr. Lu, aged 43, joined the Group in 1998 and served as an Executive Director during the period from 1 December 2003 to 14 May 2017 and became a Non-executive Director on 15 May 2017. He ceased to be a member of the Executive Committee following the change of his role to Non-executive Director. Mr. Lu is also a director of various members of the Group. In addition, he is a director of NLI (the Company's controlling shareholder) and JCS (the immediate holding company of NLI). Mr. Lu served as a director of AGP (previously listed on the London Stock Exchange) until December 2017. Mr. Lu is currently the Managing Director of Asian Growth Properties Co. Limited (a private investment holding company).

From 2007, Mr. Lu is a member of the Sichuan Committee of Chinese People's Political Consultative Conference and was appointed as a standing member in January 2018. He is also an executive member of All-China Federation of Industry and Commerce. He holds a Bachelor of Arts degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi (the Chairman and Executive Director) and the brother of Mr. Lambert Lu (the Chief Executive and Executive Director).

LINCOLN LU

Non-executive Director

Directors' Biographical Information

Mr. Santoso, aged 64, has acted as an Independent Non-executive Director since December 1994 and is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He is also the managing director of Grand Ocean (International) Limited (a private limited liability company in which Mr. Santoso is a shareholder) and has over 40 years of experience in international trading and manufacturing. Mr. Santoso also holds a Diploma in Accounting.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.

WALUJO SANTOSO, WALLY

Independent Non-executive Director

Mr. Leung, *FCPA(Aust.), FCPA(Practising), CPA(Macau)*, aged 82, has acted as an Independent Non-executive Director since February 1999 and is the chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee.

Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. He is the independent non-executive director of a number of listed companies, namely Fujian Holdings Limited, High Fashion International Limited and Phoenix Satellite Television Holdings Limited. Mr. Leung retired as an independent non-executive director of Yangtzekiang Garment Limited and YGM Trading Limited (both are listed companies in Hong Kong) in September 2017.

LEUNG HOK LIM

Independent Non-executive Director

Directors' Biographical Information

Mr. Chung, *GBS, OBE, JP*, aged 77, has acted as an Independent Non-executive Director since September 2004 and is a practicing solicitor in Hong Kong. He is the chairman of the Remuneration Committee and a member of the Audit Committee. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited (both are listed companies in Hong Kong). In addition, Mr. Chung is serving as consultant for numerous district organisations, industrial and commercial associations, trade unions and body corporates.

CHUNG PUI LAM

Independent Non-executive Director

Chairman's Statement

Crowne Plaza Hong Kong Causeway Bay, Hong Kong

I am pleased to present the consolidated financial results of the Group for the year 2017 to the Shareholders.

FINANCIAL SUMMARY

During the year, the Company undertook the Restructuring by implementing the Assets Redistribution and Distribution in Specie.

On 31 March 2017, the Company entered into an agreement with AGP pursuant to which AGP's non-PRC Assets (being certain bank balances and cash, an investment property in the United Kingdom (20 Moorgate), a hotel property in Hong Kong (Crowne Plaza Hong Kong Causeway Bay) and certain short-term treasury investments) were redistributed to the Group by way of sale and purchase. Upon completion of the Assets Redistribution, such non-PRC assets of AGP are held indirectly as to 100% by the Company and AGP continues to hold the AGP's PRC assets. Completion of the Assets Redistribution took place on 15 May 2017.

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. Upon completion of the Distribution in Specie, the AGP Group no longer a subsidiary of the Company and the Group ceased its business and operations in the PRC (the "Discontinued Operation").

Turnover from continuing operations for the year ended 31 December 2017 amounted to HK$576.4 million (2016: HK$414.2 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and income from financial investment. The profit from the Discontinued Operation amounted to HK$227.6 million (2016: loss HK$249.1 million).

Profit attributable to the Shareholders for the year amounted to HK$267.3 million (2016: HK$684.3 million), equivalent to a basic earnings per share of HK39.3 cents (2016: HK101.0 cents). The decrease in profit attributable to the Shareholders in current year was mainly due to the gain of disposal of Everbright Centre (formerly known as Dah Sing Financial Centre) (approximately HK$797.4 million) in last year, net of the release of exchange reserve to profit or loss upon Distribution in Specie (approximately HK$226.9 million) recorded under profit from the Discontinued Operation in current year.

The reported profit attributable to the Shareholders included a revaluation surplus on investment properties net of deferred taxation of HK$16.9 million (2016: revaluation deficit HK$78.0 million). By excluding the effect of such surplus, the Group's net profit attributable to the Shareholders was HK$250.4 million (2016: HK$762.3 million), equivalent to HK36.9 cents (2016: HK112.5 cents) per share.

As at 31 December 2017, the Group's equity attributable to the Shareholders amounted to HK$6,142.6 million (31 December 2016: HK$12,051.0 million). The decrease in the Group's equity attributable to the Shareholders as at 31 December 2017 was mainly due to the special non-cash dividend paid on 15 May 2017 by way of Distribution in Specie and the special cash dividend of HK$3.0 per share paid on 21 June 2017. The net asset value per share attributable to the Shareholders as at 31 December 2017 was HK$9.12 as compared with HK$17.81 as at 31 December 2016.

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

	31 December 2017 **HK$' million**	31 December 2016 HK$' million
Continuing operations		
Hong Kong	**3,923.8**	660.7
United Kingdom	**4,495.2**	1,555.5
Australia	**174.6**	158.4
Discontinued operations		
Mainland China	**—**	2,174.0
Total	**8,593.6**	4,548.6

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK$626.2 million, whereas the market value as at 31 December 2017 as determined by an independent professional market valuation is 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 31 December 2017, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Shareholders would be HK$11,967.4 million, HK$9,516 million and HK$14.1 respectively.

Chairman's Statement

DIVIDENDS

The Board has resolved to recommend for Shareholders' approval at the 2018 AGM of the Company the payment of a final dividend of HK3 cents (2016: HK6 cents) per share for the year ended 31 December 2017 to the Shareholders whose names appear on the register of members at the close of business on Monday, 11 June 2018. The relevant dividend warrants are expected to be despatched on or before Thursday, 21 June 2018.

On 29 March 2017, a special cash dividend of HK$3 per share was declared and paid to the Shareholders on 21 June 2017.

On 15 May 2017, the Company completed distribution of a special non-cash dividend by way of distribution in specie of a total 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 on the basis of every 1,000 shares of the Company for 1,268 AGP shares.

Together with the interim dividend of HK2 cents per share already paid (2016: HK5 cents), the total dividend for the year comprise cash dividends of HK$3.05 per share (2016: HK11 cents) and the special non-cash dividend (2016: nil).

BUSINESS REVIEW

Property Investment and Development

Following the completion of the Restructuring, 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 in Hong Kong (No. 1 Shouson Hill Road East), a joint venture residential development project (West Kowloon Waterfront, Hong Kong), two investment properties in London, United Kingdom (20 Moorgate and 33 Old Broad Street) and an investment property in Australia (Lizard Island).

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

Hong Kong

On 4 May 2017, the Group entered into several agreements with independent third parties to acquire entire issued share capital of the target companies, which own residential properties (being 11 houses at No. 1 Shouson Hill Road East, Hong Kong) for a total property value of approximately HK$1,528 million. Completion of the acquisition took place on 13 June 2017.

On 15 November 2017, the Group, as part of the consortium comprised of well-known local Hong Kong property developers, won the tender for the waterfront residential plot off Hing Wah Street West, West Kowloon, at a price of HK$17 billion.

No.1 Shouson Hill Road East, Hong Kong

United Kingdom

In 2016, the Group acquired a property known as 20 Moorgate, London, EC2R 6DA at a total consideration of approximately £154 million. The building comprises an office tower and a retail shop with the leases expiring in 2027 and 2039 respectively.

On 15 May 2017, the Group entered into an agreement with an independent third party to acquire entire issued share capital of the target company, which owns an office building at 33 Old Broad Street, London, United Kingdom, for a total consideration of £258 million (approximately HK$2.6 billion). Completion of the acquisition took place on 17 July 2017.

Turnover generated from the property investment projects in United Kingdom for the year was HK$130 million (2016: HK$17 million).

Lizard Island Resort, Queensland

Australia

The property in Australia is sub-leased to and operated by Delaware North Lizard Island as a luxury island resort. The sublease comprises a base and turnover rent and will expire in 2033.

Turnover generated from the property for the year was HK$16 million (2016: HK$16 million).

Chairman's Statement

Crowne Plaza Hong Kong Causeway Bay, Hong Kong

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. Its performance improved compared to 2016. The hotel will strive to gain further market share and enhance asset management in the challenging market conditions.

FINANCIAL RESOURCES AND LIQUIDITY

Working Capital and Loan Facilities

In January 2017, the Group issued guaranteed notes with a principal amount of US$200,000,000, due on 19 January 2020 (the "2017 Notes"). At maturity, the 2017 Notes are payable at their principal amount. The 2017 Notes will bear interest at the rate of 4.5% per annum payable semi-annually in arrear on 19 January and 19 July in each year.

As at 31 December 2017, the Group's total bank deposits, bank balances and cash was HK$5,769.6 million (2016: HK$10,537.8 million), available-for-sale investment was HK$4,492.8 million (2016: HK$1,514.6 million) and unutilised facilities were HK$983.8 million (2016: HK$687.4 million).

As at 31 December 2017, the Group's bank borrowings was HK$11,067.3 million (2016: HK$4,290.7 million) and the 2017 Notes was HK$1,553.3 million (2016: Nil) respectively. After netting the bank balance and cash and available-for-sale investment, the Group had a net debt position of HK$2,358.2 million with gearing ratio of 19.7% (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$4,000 million), compared to a net cash position of HK$7,761.7 million as at 31 December 2016.

Financial Investments

Financial investments mainly represents return earned on the Group's holdings of time deposits, equity and bond investments. Further information about the performances of financial investments can be found in notes 6 and 24 to the consolidated financial statements.

As at 31 December 2017, maturity of the Group's outstanding borrowings (including the 2017 Notes) was as follows:

	31 December 2017 HK$' million	31 December 2016 HK$' million
Due		
Within 1 year	6,319.9	2,189.6
1-2 years	130.4	99.5
3-5 years	6,215.8	1,965.5
Over 5 years	—	53.8
	12,666.1	4,308.4
Less: Unamortised front-end fee and 2017 Notes issued expenses	(45.5)	(17.7)
	12,620.6	4,290.7

Subsequent to the end of the reporting period, the Group has issued guaranteed notes with a principal amount of US$150,000,000, due on 19 January 2023 (the "2018 Notes"). At maturity, the 2018 Notes are payable at their principal amount.

The 2018 Notes will bear interest from, and including 19 January 2018 at the rate of 4.875% per annum, until 19 January 2023, payable semi-annually in arrear on 19 January and 19 July each year.

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank loans drawn as at 31 December 2017 amounted to HK$8,138.6 million (2016: Hong Kong and Mainland China HK$3,223.5 million) which comprised of secured bank loans of HK$6,428.6 million (2016: HK$2,423.5 million) and unsecured bank loans of HK$1,710.0 million (2016: HK$800.0 million). The secured bank loans were secured by properties valued at HK$2,154.2 million (2016: HK$1,998.7 million), listed debt securities of HK$3,983.5 million (2016: HK$882.1 million) and pledged cash of HK$1,517.9 million (2016: HK$533.1 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK$4,669.8 million (2016: HK$1,713.9 million) as at 31 December 2017 and pledged cash of HK$15.9 million (2016: Nil) to secure bank loans of HK$2,964.8 million (2016: HK$1,067.1 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2017, all of the Group's borrowings except the 2017 Notes were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

The Group's financial investments policy is to enhance return for treasury management purpose. The Group aims at building a well-diversified portfolio which contains highly liquid investments with good credit rating. The Group will continue to closely monitor the performances of the financial investments so as to maintain healthy capital structure and strong financial position.

Chairman's Statement

STAFF AND EMOLUMENT POLICY

As at 31 December 2017, the Group had a total of 240 employees (2016: 301 employees) in Hong Kong. 11 employees were transferred from the Company to AGP following completion of the Restructuring. Employee costs, including the emoluments of the directors of the Group, amounted to HK$149.1 million for the year ended 31 December 2017 (2016: HK$156.5 million).

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

OUTLOOK

The global economy experienced reasonable growth in 2017 as the recovery in investment, manufacturing, and trade continues. Together with the tax reforms in the U.S., the European stimulative monetary policies and solid domestic demands, the upward trend is likely to continue in 2018. Nevertheless, the uncertainties on U.S. rate hikes, Brexit impact and China monetary policies remain which might restrain the potential economic expansion.

Following the positive macro-economic condition, Mainland China's economy also grew at a faster-than-expected pace in 2017. Strong growth in exports and a resilient property market were the main drivers of the expansion. In 2018, Mainland China is expected to have a modest economy slowdown resulting from the continued monetary controls and restrictive policies by the Central Government to dampen the growth momentum. The exchange value of Renminbi is anticipated to stabilise given the U.S. rate hikes and tax cuts which ease the U.S. Dollar weakness.

Hong Kong's economy achieved a moderate growth in 2017 due to the robust of domestic demands, strong export trades and low unemployment rate. Looking ahead, the recent unveiling of short-term relief measures and capital spending as well as the opportunities brought up by the Guangdong-Hong Kong-Macao Bay Area Development render solid support to the continued economic growth. The growing trend would, however, be counter-balanced by the potential risk in the property sector which recorded notably high home prices and rents in these years.

Despite the repeatedly cooling measures imposed by the government, market attitude kept unchanged and buyers continued to boost home prices in Hong Kong, leading to the remarkable performance in the residential market. The Group is cautious about the prospect of the property market and will continue to seek reasonable opportunities on land and property acquisitions.

33 Old Broad Street, London

As for the office sector, with the outbound growth of the PRC corporates and the economic expansionary cycle, the office rents rose steadily in 2017 and are presumed to keep up in the short run. Relocation across the harbour is likely to pursue in 2018 which might slightly flatten the HK Island rents but raise the Kowloon side ones.

Inbound tourism is a crucial element to the hotel business in Hong Kong. The number of visitors in 2017 increased after a two-year decline. Coupled with the continued promotional measures launched by the government, it appears that the hotel industry in Hong Kong has stabilised. Backed by the global economic recovery, the Group is confident in the industry and Crowne Plaza Hong Kong Causeway Bay will continue to provide high quality, value-added services to our guests.

In the United Kingdom, the uncertainties of the Brexit remain which restrict the U.K. economy to follow the global trend. London is projected to see a particular moderation in growth in 2018 which is bringing it back into line with the average of the other UK regions. Notwithstanding the above, the rents and prices of prime buildings in London stay buoyant given its standing of being an international financial center. With the long term leases secured, the Group's investment returns in the region will be sustainable.

Going forward, the Group will continue to explore yield-accretive investment opportunities to optimise earnings and enhance our portfolio. The Group's recurrent business, property leasing and hospitality continue to contribute stable stream of income to pursue our growth initiatives and respond to the changing economic environment.

Lu Wing Chi
Chairman

Hong Kong, 28 March 2018

Corporate Governance Report

The Company recognises the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying, formulating, establishing and enhancing corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of Shareholders and comply with increasingly stringent regulatory requirements.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2017, saved for the deviations 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. As stated in the Corporate Governance Report in the Company's 2016 annual report, Mr. Lu Wing Chi, the Chairman, also held the office of Managing Director overseeing the management and the Group's business. Upon completion of the Restructuring in May 2017, the roles of the Chairman and the Chief Executive have been separated and performed by Mr. Lu Wing Chi and Mr. Lambert Lu respectively with effect from 15 May 2017.

CG Code		Deviations and reasons
A.4.1	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 on 15 May 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.
E.1.3	The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	Notice regarding the SGM in respect of the Restructuring held on 4 May 2017 was sent to Shareholders on 18 April 2017, nine clear business days before the meeting. This was because AGP needed to comply with rules and regulations of the London Stock Exchange regarding the timing of ex-dividend and dividend record dates and the Company had to match with AGP's timetable for the Restructuring. The Board believes that this was a unique situation arising from this particular project timetable and is not likely to recur in future.

BOARD OF DIRECTORS

Composition

The Directors who served the Board during the year under review and up to the date of this Annual Report are named as follows:

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

An updated list of Directors and their respective roles and functions have been maintained on the websites of the Company and HKEX. Biographical particulars of the existing Directors are set out in the section headed "Directors' Biographical Information" on pages 10 to 13.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and has adopted a board diversity policy (the "Board Diversity Policy"). Board diversity will be considered by the Company from a number of aspects, including but not limited to cultural and educational background, experience, skills, knowledge, length of service, age and gender. The Company's business model and specific needs will also be taken into account in determining the optimum composition of the Board.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and will from time to time review the Board Diversity Policy, as appropriate.

Role and Function

The Company is governed by the Board and the Directors are accountable to the Shareholders for the activities and performance of the Group. To oversee the Group's business and development, the Board has reserved for its decision and consideration the following matters:

(i) adoption and overall oversight of objectives and strategic plans;

(ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;

(iii) approval of interim dividends and other distribution and recommendation of final dividends for Shareholders' approval;

(iv) establishment of Board committees and delegation of powers of the Board to the Board committees;

(v) appointment, re-appointment, re-designation and removal of Board members;

(vi) approval of significant accounting policies and practices;

(vii) oversight of corporate governance, risk management and internal controls; and

(viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of the Board's decisions (including business strategies and initiatives it has adopted) and daily operations, preparation of annual and interim financial statements for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management as well as compliance with relevant requirements, rules and regulations.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties including:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2017, the Board reviewed the Company's corporate governance practices.

Retirement and Re-election

Pursuant to the Company's Bye-laws and the CG Code, every Director shall retire from office no later than the third AGM after he was last elected or re-elected. Further, any Director appointed by the Board as an additional Board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election.

For an INED who has served the Company for more than nine years, his further appointment will be subject to a separate resolution to be approved by the Shareholders. The papers to the Shareholders accompanying that resolution will include the reasons why the Board believes he is still independent and should be re-elected.

Meetings

The Board conducts meetings on a regular basis with at least 14 days' notice and on an ad hoc basis with reasonable notice that are required for significant and important issues. Before each Board and committee meetings, relevant agendas and documents with appropriate information are sent to Directors who are consulted for including matters in the agendas. The Board has four scheduled meetings a year to, amongst other matters, approve the final results and interim results respectively and consider financial and operating performances of the Company. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

During the year ended 31 December 2017, the Board held five meetings and the attendance record of each Director is set out in the following table:

Directors	**Attendance/Number of Board meetings held in 2017**
Executive Directors	
Mr. Lu Wing Chi *(Chairman)*	**5/5**
Mr. Lambert Lu *(Chief Executive)*	**5/5**
Non-executive Directors	
Mr. Lam Sing Tai	**5/5**
Mr. Lincoln Lu	**5/5**
INED	
Mr. Walujo Santoso, Wally	**5/5**
Mr. Leung Hok Lim	**5/5**
Mr. Chung Pui Lam	**5/5**

Relationship

Of the Directors, Mr. Lu Wing Chi is the father of Messrs Lambert Lu and Lincoln Lu. Other than this, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's activities and affairs. Since May 2017, the roles of the Chairman and the Chief Executive have been separated and performed by different Directors. During the year of 2017, half of the Board members were Non-executive Directors (including INED) whose views carry significant weight in the Board's decisions. Directors have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

Corporate Governance Report

Training and Insurance for Directors

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its Directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. An in-house training session conducted by solicitors' firm was organised by the Company for the year 2017 as part of the continuous professional development for its Directors to update them on the latest developments regarding the Listing Rules and applicable regulatory requirements in discharging their duties.

During the year ended 31 December 2017, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training participated by the Directors during the year ended 31 December 2017 is as follows:

Directors	Attend seminars and/or reading materials in relation to updates on laws, rules and regulations	Reading regulatory updates and information relevant to the Group or its business
Executive Directors		
Mr. Lu Wing Chi *(Chairman)*	✓	✓
Mr. Lambert Lu *(Chief Executive)*	✓	✓
Non-executive Directors		
Mr. Lam Sing Tai	✓	✓
Mr. Lincoln Lu	✓	✓
INED		
Mr. Walujo Santoso, Wally	✓	✓
Mr. Leung Hok Lim	✓	✓
Mr. Chung Pui Lam	✓	✓

The Company has also arranged for appropriate liability insurance for the Directors for indemnifying their liabilities arising out of corporate activities.

Non-executive Directors

The Non-executive Directors (including INED) serve the relevant function of bringing independent judgement and valuable guidance and advice on the development, performance and risk management of the Group.

Independent Non-executive Directors

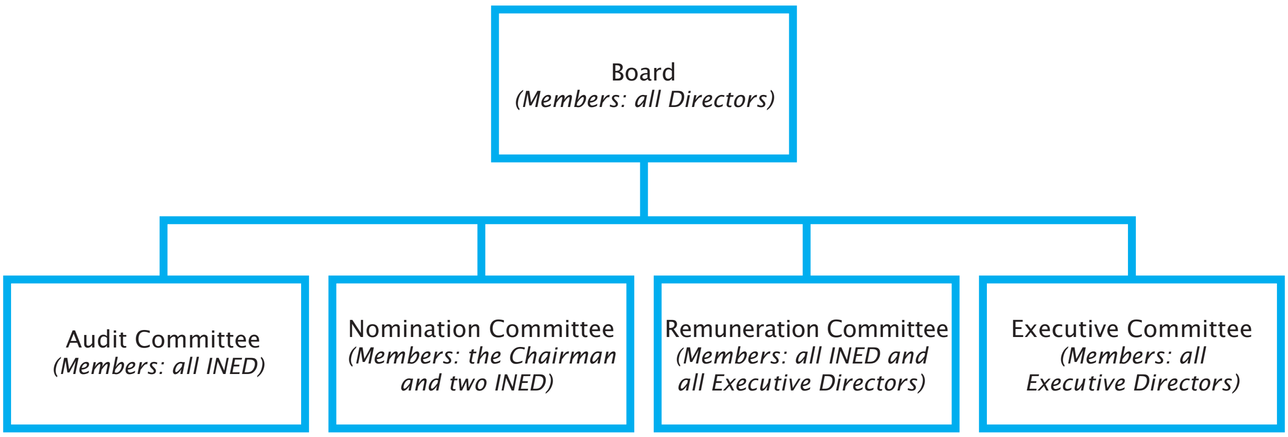
Currently, the Board consists of a total of seven members, comprising two Executive Directors, two Non-executive Directors and three INED. More than one-third of the Board are INED of which at least an INED possessing appropriate professional qualifications or accounting or related financial management expertise.

The three INED come from diverse business and professional backgrounds in the fields of international trading, accounting and laws, rendering valuable expertise and experience to promote the best interests of the Company and its Shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner. All of them serve on the Audit and Remuneration Committees and two of them serve on the Nomination Committee.

The Company has received from each of the INED an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INED are independent since their appointment.

Delegation — Board Committees

The Board has properly delegated its powers and established the Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



AUDIT COMMITTEE

Composition

The Audit Committee was established in 1999. Its terms of reference can be found in the websites of the Company and HKEX. The Audit Committee currently comprises of three members and all of them are INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2017 is set out in the following table:

Directors	Attendance/Number of Audit Committee meetings held in 2017
INED	
Mr. Leung Hok Lim *(chairman)*	2/2
Mr. Walujo Santoso, Wally	2/2
Mr. Chung Pui Lam	2/2

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting, the effectiveness of the audit process in accordance with applicable standards, the effectiveness and adequacy of the Group's risk management and internal control systems as well as to maintain an appropriate relationship with the independent external auditor of the Company.

During the year ended 31 December 2017, the Audit Committee met twice with the representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

(i) the accounting principles and policies adopted by the Group;

(ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2016;

(iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2017;

(iv) any significant findings by the independent auditor during the financial audit and other audit issues;

(v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and

(vi) the risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

It also recommended to the Board for the re-appointment of the independent auditor and reviewed the relevant audit fees. In March 2018, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the audited consolidated financial statements of the Company for the year ended 31 December 2017 and was of the opinion that such financial statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.

NOMINATION COMMITTEE

Composition

The Nomination Committee was established in 2012. Its terms of reference can be found in the websites of the Company and HKEX. The Nomination Committee currently comprises of three members including the Chairman and two INED. The attendance record of the committee members at the meeting held during the year ended 31 December 2017 is set out in the following table:

Directors	**Attendance/Number of Nomination Committee meeting held in 2017**
Executive Director	
Mr. Lu Wing Chi *(chairman)*	1/1
INED	
Mr. Walujo Santoso, Wally	1/1
Mr. Leung Hok Lim	1/1

Role and Function

The principal role of the Nomination Committee includes, inter alia, reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company and assess the independence of INED taking into account the independence requirements set out in Rule 3.13 of the Listing Rules.

The Nomination Committee held one meeting in the financial year under review and a meeting in March 2018 to review the structure, size, composition of the Board and the Board Diversity Policy, assess the independence of INED and make recommendations in relation to the re-appointment of retiring Directors at AGM.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee was established in 2005. Its terms of reference can be found in the websites of the Company and HKEX. The Remuneration Committee currently comprises of five members including the Chairman, the Chief Executive and three INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2017 is set out in the following table:

Directors	Attendance/Number of Remuneration Committee meeting held in 2017
INED	
Mr. Chung Pui Lam *(chairman)*	1/1
Mr. Walujo Santoso, Wally	1/1
Mr. Leung Hok Lim	1/1
Executive Directors	
Mr. Lu Wing Chi	1/1
Mr. Lambert Lu	1/1

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the Executive Directors and Non-executive Directors and ensuring that no Director will be involved in deciding his own remuneration. The Remuneration Committee has adopted the operation model where it determines the remuneration packages of individual Executive Directors and makes recommendations to the Board on the remuneration packages of individual Non-executive Directors.

In determining the Directors' emoluments, the Remuneration Committee takes into consideration factors such as the qualifications, experience, time commitment, responsibilities, performance, contribution and remuneration of the Directors for previous years, the Company's profitability, emoluments paid by comparable companies and employment conditions elsewhere in the Group.

At the AGM held in 2005, the Shareholders passed an ordinary resolution to authorise the Directors to fix the Directors' fees for an aggregate amount not exceeding HK$1.0 million per annum. During the year, the Remuneration Committee met once for the purposes of determining matters relating to the remuneration packages and emoluments of Executive Directors as well as making recommendation to the Board on the remuneration packages and emoluments of Non-executive Directors.

In January 2018, the Remuneration Committee held a meeting to review, determine or make recommendation to the Board on the bonus of the Directors for the year ended 31 December 2017 as well as their Director's fees and salary increment for the current year.

Details of the Directors' remuneration for the year ended 31 December 2017 is set out in note 15 to the consolidated financial statements.

EXECUTIVE COMMITTEE

Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman and the Chief Executive, namely:

Mr. Lu Wing Chi *(Chairman)*
Mr. Lambert Lu *(Chief Executive)*

Following the re-designation of Mr. Lincoln Lu from the position of Executive Director to Non-executive Director on 15 May 2017, he ceased to be a member of the Executive Committee.

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

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 year ended 31 December 2017.

Directors' interests in shares and underlying shares in the Company are contained in the section headed "Directors' Report" on pages 45 to 47, and page 49.

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 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.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the section headed "Independent Auditor's Report" on page 56. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance department of the Company, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

In addition, the Directors ensure timely publication of the financial statements of the Group.

INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

The statement of Deloitte, Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 56 and 57. Representatives of Deloitte also attend the AGMs to answer questions which the Shareholders may have.

INDEPENDENT AUDITOR'S REMUNERATION

At the AGM held on 29 May 2017, Deloitte were re-appointed by the Shareholders as independent auditor of the Company at a fee to be agreed by the Board. The total fees paid/payable to Deloitte and its affiliated firms in respect of the audit and non-audit services provided during the year ended 31 December 2017 is set out as follows:

	HK$'000
Audit services	2,022
Non-audit services (reviewing and other reporting services)	1,126
Total	3,148

In addition, fees for the audit of the financial statements of certain members of the Group for the year under review conducted by other auditors amounted to about HK$19,000.

GOING CONCERN

The Directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 and reviewing their effectiveness through the Audit Committee to safeguard the Shareholders' interest and the Company's assets. However, these systems are designed to manage rather than eliminate risk of failure in operational system, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the Executive Directors of operational and financial reports provided by the management, regular business meetings between the Executive Directors and the core management team and periodic review of the Group's financial results by the Board.

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 in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. 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. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by an independent external auditor during statutory audit.

During the year 2017, the Company has engaged an independent consultant to perform an internal audit review for the Group. The review included making enquiries with appropriate management and key process owners and performing walkthrough tests to identify the major risks and significant deficiencies, and making recommendations for improving and strengthening the internal control system to the Audit Committee for approval. No material issues on the Group's internal control system have been identified in the reviewed areas and reported to the Audit Committee. The Board considered that the risk management and internal control system was adequate and effective.

In view of the size, nature and complexity of the business of the Group, currently the Group does not have an internal audit department and had engaged an independent consultant to carry out internal audit review for the Group in the year 2017. The Board will continue to review the need for an internal audit department.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

(i) the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

(ii) the Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made;

(iii) the Group strictly prohibits unauthorised use of confidential or inside information;

(iv) the Group has also implemented procedures to guard against possible mishandling of inside information within the Group including pre-clearance on dealing in the securities of the Company by designated Directors and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees; and

(v) the Group keeps the Directors and employees appraised of the latest regulatory updates on disclosure requirements of inside information.

COMMUNICATION WITH SHAREHOLDERS

The Board has adopted shareholders' communication policy with the objective of ensuring that its communications with the Shareholders are timely, transparent, accurate and open. Information of the Company is disseminated to the Shareholders through a number of channels as follows:

(i) corporate communication such as annual reports, interim reports and circulars are issued in printed form and are available on the websites of the Company and HKEX;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and HKEX;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and SGMs provide a forum for Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's Hong Kong branch share registrar serves the Shareholders in respect of share registration and related matters.

Separate resolutions are proposed at general meetings on each substantial issue including the election of individual Directors.

During the year ended 31 December 2017, a SGM and an AGM were held on 4 May 2017 and 29 May 2017 respectively. All resolutions relating to ordinary businesses and special businesses proposed at the SGM and AGM were duly passed.

The attendance records of the Board members at the SGM and AGM are set out in the following table:

Directors	Attendance at the SGM	Attendance at the AGM
Executive Directors		
Mr. Lu Wing Chi *(Chairman)*	✓	✓
Mr. Lambert Lu *(Chief Executive)*	✓	✓
Non-executive Directors		
Mr. Lam Sing Tai	✓	✓
Mr. Lincoln Lu	✓	✓
INED		
Mr. Walujo Santoso, Wally	✓	✓
Mr. Leung Hok Lim	✗	✓
Mr. Chung Pui Lam	✓	✓

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company can be found on the websites of the Company and HKEX and there is no change in the constitutional documents during the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

Convening Special General Meeting

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a SGM. The purposes of the meeting must be stated in the related requisition and deposited at the Company's registered office and principal place of business in Hong Kong. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM, the Shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

Putting forward proposals at general meetings

Shareholders holding not less than one-twentieth of the total voting rights of those Shareholders having the right to vote at a general meeting or not less than one hundred Shareholders can submit a written request to move a resolution at a general meeting. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and deposited at the Company's registered office and principal place of business in Hong Kong not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the Shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 2828 6363 during normal business hours, by fax at (852) 2598 6861, by e-mail at info@seagroup.com.hk or by post at 26/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

LOOKING FORWARD

The above corporate governance practices will be monitored, reviewed, amended and revoked from time to time as considered necessary by the Board. The Company will take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CG Code at all times.

Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were property investment, property development, hotel operation and financial investment. The Group currently operates in Hong Kong, Australia and the United Kingdom.

Other particulars of the principal subsidiaries of the Company as at 31 December 2017 are set out in note 47 to the consolidated financial statements.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the year ended 31 December 2017 and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 14 to 21 of this Annual Report.

Description of the financial risk management objectives and policies of the Group can be found in note 36 to the consolidated financial statements.

An analysis of the Group's performance during the year ended 31 December 2017 using financial key performance indicators is provided in the Chairman's Statement on pages 14 to 21 and the Financial Highlights on pages 4 and 5 of this Annual Report.

ENVIRONMENTAL PROTECTION

The Group recognises its responsibility to protect the environment from its business operations. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities and strives to minimise these impacts.

Energy saving measures have been implemented in order to reduce power and paper consumption. Use of power-saving mode in office equipment, LED lightings and indoor temperature control are applied to minimise power consumption. Application of e-system, recycling of papers and stationery are carried out to reduce paper consumption and to achieve cost savings.

In Crowne Plaza Hong Kong Causeway Bay, adoption of LED lighting is being rolled out in the hotel to save power consumption. Other green measures include switching off 50% guest floor corridor lights from midnight to 7:00 in the morning and recycling of papers and card boards. All equipment is serviced and maintained for maximum efficiency and major equipment including chiller plants is subject to seasonal adjustments for the purpose of reducing electricity consumption. The replacement of traditional split type air conditioners to frequency inverter type at reservation and server rooms in 2017 achieved 30%-40% energy savings.

The Group has also actively promoted material-savings and implemented policies to reduce waste generated from business activities. Its financial reports have been printed on Forest Stewardship Council-certified (FSC) papers since 2015 to reduce impact on the environment. Waste Electrical and Electronic Equipment (WEEE) such as computers, printers and photocopiers were sent to recyclers for processing. The recycling of materials in our operations, including papers, plastic bottles, stationery and office equipment, are highly encouraged.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group complies with applicable rules and regulations promulgated by Lands Department, Buildings Department and the Planning Department governing property development and property investment in Hong Kong and holds relevant required licences for provision of services.

With respect to the property projects held by the Group in the Mainland China prior to the completion of the Restructuring, the Group complied with applicable rules and regulations enacted by the Land Bureau, Planning Bureau and Construction Bureau and held relevant required licences for developing these projects.

The Group establishes and protects its intellectual property rights and has registered its domain name. Various trademarks have been applied for or registered in various classes in Hong Kong, the PRC and other relevant jurisdictions. The Group takes all appropriate actions to enforce its intellectual property rights.

It is the policy of the Group to strictly prohibit bribery and corrupt practices to ensure the conduct of the Group companies and employees are in compliance with rules and regulations. All staff are required to adhere strictly to the provisions of the Prevention of Bribery Ordinance and may not solicit or accept for his personal benefit any advantage which includes benefits in money or in any kind from any business partners. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

WORKPLACE QUALITY

The Group believes that a motivated and balanced workforce is crucial for building a substantial business model and delivering long-term returns.

The Group has employee handbook clearly setting out company policies and procedures, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. Recreational activities are organised for employees, such as outings, to enrich their work lives. Also, festival luncheons are organised by the Company as to provide more opportunities for interaction between the Company's management and staff in order to create a harmony and communicative working environment. The Group encourages staff of all levels to serve the community and care for those in need. We have participated in the "Dress Casual Day", which is the annual charity event organised by the Community Chest.

The Group believes that people are the valuable assets of an enterprise and commits to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2017, approximately 50% of the staff have been working for the Group for five years or more. Service awards are presented at the Group's annual dinner as tribute to staff who have contributed for 5, 10 and 15 years.

The Group provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as opportunities for career advancement based on employees' merits and performance. It is the policy of the Group to encourage employees to attend appropriate courses to keep them abreast of the latest developments in the market and industry. They are encouraged to enrol in external job-related seminars and training programmes to improve their knowledge and maximise their potentials.

SEGMENTAL ANALYSIS OF OPERATIONS

An analysis of the Group's performance for the year by reportable segments is set out in note 6 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 58 and 59 and page 60 respectively.

The state of affairs of the Group as at 31 December 2017 is set out in the consolidated statement of financial position on pages 61 and 62.

DIVIDENDS

An interim dividend of HK2 cents per share (2016: HK5 cents) amounting to HK$13.6 million (2016: HK$33.9 million) was paid to the Shareholders during the year. The Board has resolved to recommend for Shareholders' approval at the forthcoming 2018 AGM the payment of a final dividend of HK3 cents (2016: HK6 cents) per share for the year under review, amounting to HK$20.1 million (2016: HK$40.7 million) to the Shareholders whose names appear on the register of members at the close of business on Monday, 11 June 2018. The relevant dividend warrants are expected to be despatched on or before Thursday, 21 June 2018.

On 29 March 2017, a special cash dividend of HK$3 per share was declared and a total amount of HK$2,037.6 million was paid to the Shareholders on 21 June 2017.

On 15 May 2017, the Company completed distribution of a special non-cash dividend by way of distribution in specie of a total 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 on the basis of every 1,000 shares of the Company for 1,268 AGP shares.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 34 to the consolidated financial statements. During the year, certain shares were issued on exercise of share options granted.

Directors' Report

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 63. The Company's reserves available for distribution to the Shareholders as at 31 December 2017 were as follows:

	2017 HK$'000	2016 HK$'000
Contributed surplus	190,081	190,081
Retained profits	8,585,293	5,085,811
	8,775,374	5,275,892

Under the Companies Act 1981 of Bermuda (as amended), the amount of the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend or make a distribution out of contributed surplus if after the payment:

(i) it is or would be unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than its liabilities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31 December 2017. The net increase in fair value of investment properties amounting to HK$17.6 million (2016: net decrease HK$104.6 million) has been credited directly to the consolidated statement of profit or loss.

Details of the movements in the investment properties of the Group during the year are set out in note 20 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 21 to the consolidated financial statements.

PROPERTIES

Details of the properties of the Group held for investment and sale purposes at 31 December 2017 are set out in the section headed "Property Portfolio" on pages 6 and 7.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-law 148, every Director for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, liabilities, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own wilful neglect or default respectively. During the year under review, the Company had arranged directors' and officers' liability insurance for the Directors.

DIRECTORS

The Directors who served during the year and up to the date of this Annual Report were:

Executive Directors

Mr. Lu Wing Chi *(Chairman)*
Mr. Lambert Lu *(Chief Executive)* *Note 1*

Non-executive Directors

Mr. Lam Sing Tai
Mr. Lincoln Lu *Note 2*

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the CG Code set out in Appendix 14 to the Listing Rules, Messrs Lambert Lu, Walujo Santoso, Wally and Chung Pui Lam will retire as Directors by rotation and, being eligible, offer themselves for re-election at the 2018 AGM.

All other Directors shall continue in office.

Note 1: Mr. Lambert Lu has been appointed as the Chief Executive with effect from 15 May 2017.

Note 2: Mr. Lincoln Lu has been re-designated from Executive Director to Non-executive Director with effect from 15 May 2017.

Directors' Report

DIRECTORS' BIOGRAPHICAL PARTICULARS

Biographical particulars of the present Directors are set out on pages 10 to 13 of this Annual Report.

Further particulars of the Directors to be re-elected at the 2018 AGM are set out in the circular to the Shareholders sent together with this Annual Report.

UPDATE OF DIRECTORS' INFORMATION

Save as disclosed below, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Lu Wing Chi, Mr. Lambert Lu, Mr. Lam Sing Tai and Mr. Lincoln Lu resigned as directors of AGP on 20 December 2017.

2. The basic salary of Mr. Lu Wing Chi has been adjusted downward by 27.3% with effect from 1 January 2018.

3. The basic salary of Mr. Lambert Lu has been adjusted upward by 25% with effect from 1 January 2018.

4. Mr. Leung Hok Lim retired as independent non-executive director of Yangtzekiang Garment Limited and YGM Trading Limited (both listed in Hong Kong) on 20 September 2017.

5. Mr. Lincoln Lu was appointed as a standing member of the Sichuan Committee of Chinese People's Political Consultative Conference on 29 January 2018.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the 2018 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

Particulars of the emoluments of Directors on a named basis for the year are set out in note 15 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year under review, the Company, NLI and AGP had entered into transactions of assets redistribution, distribution in specie and share exchange with details stated below. Messrs Lu Wing Chi, Lambert Lu and Lincoln Lu are directors of the Company and NLI and also held directorship of AGP up to 20 December 2017. They were beneficially interested in 5% or more of the issued shares in NLI and had deemed interests in AGP through shareholding in NLI as at the dates of these transactions.

(i) Assets Redistribution

On 31 March 2017, the Company and AGP entered into a sale and purchase agreement pursuant to which AGP sold the entire issued share capital of its wholly owned subsidiary, Benefit Strong Group Limited ("BSGL"), to the Company at a price of HK$8,913,354,000. BSGL and its subsidiaries held all the AGP's non-PRC assets, namely all the assets and liabilities owned by AGP prior to the disposal of AGP group other than the assets that are located in the PRC, being (i) commercial property at 20 Moorgate, London, EC2R 6DA; (ii) Crowne Plaza Hong Kong Causeway Bay in Hong Kong; (iii) bank balances and cash; and (iv) certain short-term treasury investment. The assets redistribution was completed on 15 May 2017.

Following the completion of the assets redistribution, all of the AGP's non-PRC assets are held by the Company and all of the AGP's PRC assets (i.e. the assets owned by AGP other than the AGP's non-PRC assets) are outside the Group.

(ii) Distribution in Specie

A distribution in specie of 861,278,857 shares in AGP indirectly held by the Company (representing approximately 97.17% of the total number of issued AGP shares) was made to the qualifying Shareholders in proportion to their respective shareholdings in the Company on the basis of every 1,000 shares of the Company for 1,268 AGP shares. Following this distribution in specie, AGP ceased to be a subsidiary of the Company on 15 May 2017.

(iii) Share Exchange

Following the completion of the AGP shares being distributed to Shareholders, NLI made a share exchange offer on 28 July 2017 to qualifying shareholders of AGP to exchange their shares in AGP for shares in the Company on the basis of every 4 AGP shares for 1 share of the Company. Upon the close of the share exchange offer in September 2017, NLI was interested in 866,605,133 AGP shares, representing approximately 97.77% of the issued share capital of AGP; and was interested in 367,420,170 shares of the Company, representing approximately 53.87% of the issued share capital thereof while the Company was interested in 34,598 AGP shares, representing approximately 0.004% of the issued share capital of AGP.

Saved as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Other than the share options as described in details in the section headed "Share Option Schemes" below, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such Directors have been appointed to represent the interests of the Company and/or other members of the Group:

(i) Mr. Lu Wing Chi, Chairman and Executive Director, has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

(ii) Mr. Lambert Lu, the Chief Executive and Executive Director, and Mr. Lincoln Lu, the Non-executive Director, are the sons of Mr. Lu Wing Chi. In this regard, Messrs Lambert Lu and Lincoln Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi is deemed interested. Messrs Lambert Lu and Lincoln Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs Lambert Lu and Lincoln Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

However, the Board presently comprises seven members including another Non-executive Director (other than Mr. Lincoln Lu) and three INED whose views carry significant weight in the Board's decisions. Fundamentally, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the Directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, 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

	Number of ordinary shares held				
Name of Directors	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporations)	Family interests (interests of spouse)	Total interests	Approximate % of interest in the issued share capital
Lu Wing Chi	16,255,384	373,156,758 (i)	—	389,412,142	57.42
Lambert Lu	23,255,588	—	—	23,255,588	3.43
Lam Sing Tai	4,243,030	—	7,558	4,250,588	0.63
Lincoln Lu	24,338,162	—	—	24,338,162	3.59
Walujo Santoso, Wally	1,580,400	—	—	1,580,400	0.23
Leung Hok Lim	2,445,574	—	—	2,445,574	0.36
Chung Pui Lam	794,800	—	—	794,800	0.12

Notes:

(i) Among these shares, 5,440,263 shares were held by NYH and 367,716,495 shares were held by NLI. NLI is 100% owned by JCS. NYH is 100% owned by Mr. Lu Wing Chi. By virtue of Mr. Lu Wing Chi's interests in JCS (as disclosed in the section of "Long positions in shares of associated corporations" below) and NYH, he is deemed to be interested in these shares.

(ii) The total number of issued shares of the Company as at 31 December 2017 was 678,167,726 shares.

2. Long positions in shares of associated corporations

Name of associated corporations	Name of Directors	Number of ordinary shares held: Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporation)	Family interests (interests of spouse)	Total interests	Approximate % of interest in the issued share capital
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 31 December 2017, 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 31 December 2017, 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: Held as beneficial owner	Held by controlled corporation	Total interests	Approximate % of interest in the issued share capital
JCS	—	367,716,495 (i)	367,716,495	54.22
NLI	367,716,495	—	367,716,495	54.22

Notes:

(i) JCS holds 100% of the issued shares in NLI. The above 367,716,495 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) Messrs Lu Wing Chi, Lambert Lu and Lincoln Lu, all being Directors, are also directors of JCS and NLI.

(iii) The total number of issued shares of the Company as at 31 December 2017 was 678,167,726 shares.

Saved as disclosed herein, as at 31 December 2017, 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 SCHEMES

The 2005 Share Option Scheme expired on 24 August 2015. Upon expiry of the 2005 Share Option Scheme, no further options should be granted thereunder and all outstanding options granted were fully exercised as at 31 December 2017.

The Company adopted the 2015 Share Option Scheme on 29 May 2015. A summary of the principal terms of the 2015 Share Option Scheme is set out below:

1.	Purpose:	To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the 2015 Share Option Scheme).
2.	Participants:	Eligible participants include any (i) director or employee of the Company or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of the Company or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of the Company or any of its affiliate.
3.	Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the issued share capital that it represents as at the date of this Annual Report:	The maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2015 Share Option Scheme was 69,186,772 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 29 May 2015, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the 2015 Share Option Scheme. As at 28 March 2018, a total of 51,986,772 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2015 Share Option Scheme, which represented approximately 7.75% of the issued share capital of the Company on that date.

4.	Maximum entitlement of each participant:	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company then in issue. In addition, for any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period exceed 0.1% of the shares of the Company then in issue and with an aggregate value in excess of HK$5 million, then the proposed grant is also subject to the approval of shareholders of the Company in general meeting.
5.	Period within which the shares must be taken up under an option:	The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6.	Minimum period for which an option must be held before it can vest:	As determined by the Board.
7.	Amount payable on acceptance of an option and the period within which payments shall be made:	HK$10 is payable to the Company upon acceptance of the option which must be taken up within 28 days from the date of offer.
8.	Basis of determining the exercise price:	The exercise price is determined by the Board which must be at least the highest of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.
9.	Remaining life of the 2015 Share Option Scheme:	Valid and effective for a term of ten years from the date of adoption until 28 May 2025.

The following table shows the movements in share options under the 2005 Share Option Scheme during the year ended 31 December 2017 and the options outstanding at the beginning and end of the year:

Name	Date of grant	Exercise price per share (HK$)	Exercise period	Number of underlying shares comprised in share options		
				As at 01.01.2017	Exercised during the year	As at 31.12.2017
Directors						
Lu Wing Chi	12.07.2012	3.454	01.07.2015 to 30.06.2017	2,230,000	(2,230,000) [1]	—
Chung Pui Lam	12.07.2012	3.454	01.07.2015 to 30.06.2017	222,000	(222,000) [2]	—
Total				2,452,000	(2,452,000)	—

Notes:

(i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.

(ii) (a) The closing prices of the shares of the Company immediately before the dates on which the share options were exercised by the Directors were:

(1) HK$10.92 per share; and
(2) HK$11.14 per share.

(b) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by all participants stated in (a) above was HK$10.94 per share.

(iii) No share options had been granted, lapsed or cancelled under the 2005 Share Option Scheme for the year ended 31 December 2017.

The following table shows the movements in share options under the 2015 Share Option Scheme during the year ended 31 December 2017 and the options outstanding at the beginning and end of the year:

Name	Date of grant	Exercise price per share (HK$)	Exercise period	Number of underlying shares comprised in share options			
				As at 01.01.2017	Exercised during the year	Lapsed during the year	As at 31.12.2017
Eligible employees in aggregate	02.07.2015	6.302	01.01.2017 to 31.12.2018	2,650,000	(2,650,000)	–	–
			01.07.2017 to 30.06.2019	2,500,000	(425,000)	(1,850,000)	225,000
			01.01.2018 to 31.12.2019	2,550,000	–	(500,000)	2,050,000
			01.07.2018 to 30.06.2020	6,650,000	–	(2,400,000)	4,250,000
Total				14,350,000	(3,075,000)	(4,750,000)	6,525,000

Notes:

(i) The vesting period of the share options granted is from the date of grant until the commencement of the exercisable period.

(ii) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by the eligible employees was HK$17.21 per share.

(iii) No share options had been granted or cancelled under the 2015 Share Option Scheme for the year ended 31 December 2017.

SHARE AWARD SCHEME

The SEA Share Award Scheme was approved by the Shareholders at the SGM held on 27 May 2010. The SEA Share Award Scheme commenced on 15 June 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants. Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and are listed on the Stock Exchange; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

No award was granted by the Company under the SEA Share Award Scheme during the year ended 31 December 2017.

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

During the year ended 31 December 2017, the Company repurchased a total of 8,332,000 Shares on the Stock Exchange at an aggregate cash consideration of HK$77,983,280 (excluding expenses). All the purchased shares were then cancelled and the number of issued shares of the Company was reduced. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration
		Highest HK$	Lowest HK$	HK$
September 2017	1,434,000	8.04	7.66	11,278,360
October 2017	1,416,000	8.17	7.64	11,274,160
November 2017	1,074,000	9.08	7.99	9,373,200
December 2017	4,408,000	12.30	8.95	46,057,560
	8,332,000			77,983,280

The Directors considered that the aforesaid shares were repurchased at a discount to the underlying fair value per share and such purchases resulted in an increase in the net 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 year ended 31 December 2017.

MAJOR SUPPLIERS AND MAJOR CUSTOMERS

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% of the Group's total purchases and sales respectively.

CORPORATE GOVERNANCE

The Company is committed to maintain high corporate governance standards so as to ensure better transparency and protection of Shareholders' interests. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 22 to 36.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued shares in the Company was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this Annual Report.

Directors' Report

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to about HK$249,000 (2016: HK$211,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Highlights" on page 4.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three members, namely Messrs Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all being INED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2017.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year under review have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Deloitte as independent auditor of the Company for the ensuing year will be put to the 2018 AGM for the Shareholders' approval.

On behalf of the Board

Lu Wing Chi
Chairman

Hong Kong, 28 March 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF S E A HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 58 to 142, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter as the valuation is subject to management estimate and has a significant impact on the financial result and financial position of the Group. As disclosed in note 20 to the consolidated financial statements, the investment properties comprise residential units in Hong Kong, office units in the United Kingdom and a resort in Australia. The carrying value of the investment properties amounted to approximately HK$6,214 million as at 31 December 2017 and the increase in fair value of the investment properties recorded in the profit for the year was approximately HK$18 million. In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified external valuers (the "Valuers") to perform the valuation. Management works with the Valuers to establish and determine the appropriate valuation techniques and inputs to the valuation model. The Valuers have determined the fair values of the Group's investment properties by the use of different valuation methodologies, namely the income capitalisation approach and direct comparison approach (also known as sales comparison approach) as set out in note 20 to the consolidated financial statements. The key inputs under the income capitalisation approach were the capitalisation rates and monthly unit rent. The key input under the direct comparison approach was the residential unit comparable price per square feet.	Our procedures in relation to the valuation of investment properties included: · Evaluating the competence, capabilities and objectivity of the Valuers; · Obtaining an understanding of the valuation process and significant assumptions and critical judgements to assess if the methodologies meet relevant accounting requirements and industry norms; · Comparing the capitalisation rate and market value to market data and evaluating the appropriateness of these inputs; and · Assessing the reasonableness of the significant data inputs underpinning the investment properties' valuation including rental income, tenancy agreements, publicly available prices per square feet information and land registry records.

Key audit matter	How our audit addressed the key audit matter
Distribution in Specie	
We identified the Distribution in Specie (as defined in note 17) as a key audit matter due to the significance of the transaction to the consolidated financial statements as a whole, in particular whether the completion criteria of the transaction were met, and the consolidated financial statements properly include the result and cash flows of Asian Growth Properties Limited and its subsidiaries (the "AGP Group") up to the effective date of the distribution and the appropriateness of the accounting and disclosures of the distribution in the consolidated financial statements. As disclosed in the note 43 to the consolidated financial statements, during the year ended 31 December 2017, the Group has distributed its entire 97.17% interest in the AGP Group. The Group has recognised a gain from this distribution of HK$226,927,000.	Our procedures in relation to the Distribution in Specie included: · Inquiring with management and reviewing the relevant announcement to obtain an understanding of the distribution arrangement; · Checking whether the completion criteria of the transaction were met and assessing whether the distribution has been properly accounted for in accordance with the requirements of relevant HKFRSs; · Checking the computation of the results and cash flows included in the consolidated financial statements and determining whether they appropriately represent the amounts attributable to the AGP Group up to the effective date of distribution; and · Evaluating the appropriateness of the disclosures in relation to the distribution in accordance with the requirements under HKFRSs.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility forwards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tan Tsung Yuan, Nicholas.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations			
Revenue	7	576,432	414,213
Other income	8	11,645	3,139
Costs:			
Property and related costs	9	(11,280)	(7,894)
Staff costs		(149,145)	(156,455)
Depreciation and amortisation		(26,998)	(28,919)
Other expenses	10	(135,083)	(114,865)
		(322,506)	(308,133)
Profit from continuing operations before fair value changes on investment properties		265,571	109,219
Fair value changes on investment properties		17,571	(3,954)
Profit from continuing operations after fair value changes on investment properties		283,142	105,265
Other gains and losses	11	(29,999)	797,385
Finance costs	12	(196,363)	(64,883)
Profit before taxation	13	56,780	837,767
Income tax expense	14	(16,406)	(16,728)
Profit for the year from continuing operations		40,374	821,039
Discontinued operations			
Profit (loss) for the year from discontinued operations	17	713	(249,118)
Gain arising from Distribution in Specie (as defined in note 17)	43	226,927	—
Profit (loss) for the year from discontinued operations		227,640	(249,118)
Profit for the year (from continuing and discontinued operations)		268,014	571,921
Attributable to:			
Company's shareholders			
— Continuing operations		40,391	821,036
— Discontinued operations		226,935	(136,747)
		267,326	684,289
Non-controlling interests			
— Continuing operations		(17)	3
— Discontinued operations		705	(112,371)
		688	(112,368)
Profit for the year		268,014	571,921

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	NOTES	2017 HK cents	2016 HK cents (Restated)
Earnings per share for profit attributable to the Company's shareholders	19		
From continuing and discontinued operations			
— Basic		**39.3**	101.0
— Diluted		**39.1**	98.9
From continuing operations			
— Basic		**5.9**	121.2
— Diluted		**5.9**	118.7
Earnings per share excluding fair value changes on investment properties net of deferred tax	*19*		
— Basic		***36.9***	*112.5*
— Diluted		***36.6***	*110.2*

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year (from continuing and discontinued operations)	**268,014**	571,921
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Fair value change on available-for-sale investments	**5,304**	(3,238)
Exchange differences arising on translation of foreign operations	**39,317**	(150,143)
Reclassification adjustments for amounts transferred to profit or loss:		
— upon disposal of subsidiaries (note 44(b), (c), (d))	**—**	1,848
— upon disposal of available-for-sale investments	**29,999**	—
— upon Distribution in Specie (note 43)	**(226,927)**	—
Other comprehensive expense for the year	**(152,307)**	(151,533)
Total comprehensive income for the year	**115,707**	420,388
Total comprehensive income (expense) for the year attributable to:		
Company's shareholders	**115,130**	534,713
Non-controlling interests	**577**	(114,325)
	115,707	420,388

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	20	6,214,249	3,679,641
Property, plant and equipment	21	670,925	699,280
Club memberships	22	6,839	6,899
Investment in a joint venture	23	1,728,800	—
Available-for-sale investments	24	3,165,101	1,377,434
Loan receivables	25	1,688	3,160
Note receivables	26	—	38,773
Restricted bank deposits	27	—	5,589
		11,787,602	5,810,776
Current assets			
Property held for sale — completed properties		—	192,098
Inventories		1,062	1,196
Available-for-sale investments	24	1,327,704	137,204
Loan receivables	25	199	376
Note receivables	26	39,067	15,509
Receivables, deposits and prepayments	28	85,829	587,311
Tax recoverable		10	3,120
Amounts due from non-controlling interests	29	40	38
Pledged bank deposits	27	1,533,852	533,105
Fixed deposits	30	—	4,460,201
Bank balances and cash	30	4,235,738	5,538,954
		7,223,501	11,469,112
Current liabilities			
Payables, rental deposits and accrued charges	31	189,703	188,421
Tax liabilities		8,811	9,056
Amounts due to non-controlling interests	29	—	87,754
Bank borrowings — due within one year	32	6,318,864	2,186,719
		6,517,378	2,471,950
Net current assets		706,123	8,997,162
Total assets less current liabilities		12,493,725	14,807,938

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	34	67,376	67,656
Reserves		6,075,208	11,983,321
Equity attributable to the Company's shareholders		6,142,584	12,050,977
Non-controlling interests		1,498	281,727
Total equity		6,144,082	12,332,704
Non-current liabilities			
Bank borrowings — due after one year	32	4,748,442	2,103,935
Guaranteed notes	33	1,553,287	—
Deferred taxation	35	47,914	371,299
		6,349,643	2,475,234
Total equity and non-current liabilities		12,493,725	14,807,938

The consolidated financial statements on pages 58 to 142 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

LU WING CHI
CHAIRMAN

LAMBERT LU
CHIEF EXECUTIVE

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to the Company's shareholders												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Translation reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Other reserves HK$'000 (note ii)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	67,765	270,302	277,707	340,524	4,451	10,722	6,823	(60,004)	19,767	12,136,346	13,074,403	444,030	13,518,433
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	684,289	684,289	(112,368)	571,921
Exchange differences arising on translation of foreign operations	–	–	–	(148,371)	–	–	–	–	–	–	(148,371)	(1,772)	(150,143)
Reclassification adjustments for amounts transferred to profit or loss upon disposal of subsidiaries	–	–	–	1,848	–	–	–	–	381	(381)	1,848	–	1,848
Fair value change on available-for-sale investments	–	–	–	–	–	–	–	(3,053)	–	–	(3,053)	(185)	(3,238)
Other comprehensive (expense) income for the year	–	–	–	(146,523)	–	–	–	(3,053)	381	(381)	(149,576)	(1,957)	(151,533)
Total comprehensive (expense) income for the year	–	–	–	(146,523)	–	–	–	(3,053)	381	683,908	534,713	(114,325)	420,388
Recognition of equity-settled share-based payment – share options	–	–	–	–	–	5,462	–	–	–	–	5,462	–	5,462
Shares issued upon exercise of share options	765	36,370	–	–	–	(5,142)	–	–	–	–	31,993	–	31,993
Repurchase of ordinary shares	(874)	(165,062)	–	–	–	–	–	–	–	–	(165,936)	–	(165,936)
Dividends paid	–	–	–	–	–	–	–	–	–	(1,429,658)	(1,429,658)	–	(1,429,658)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(47,978)	(47,978)
At 31 December 2016	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 year	–	–	–	–	–	–	–	–	–	267,326	267,326	688	268,014
Exchange differences arising on translation of foreign operations	–	–	–	39,591	–	–	–	–	–	–	39,591	(274)	39,317
Reclassification adjustments for amounts transferred to profit or loss upon Distribution in Species (note 43)	–	–	–	(226,927)	–	–	(6,823)	–	11	6,812	(226,927)	–	(226,927)
Fair value change on available-for-sale investments	–	–	–	–	–	–	–	5,141	–	–	5,141	163	5,304
Reclassification adjustments for amounts transferred to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	–	29,999	–	–	29,999	–	29,999
Other comprehensive (expense) income for the year	–	–	–	(187,336)	–	–	(6,823)	35,140	11	6,812	(152,196)	(111)	(152,307)
Total comprehensive (expense) income for the year	–	–	–	(187,336)	–	–	(6,823)	35,140	11	274,138	115,130	577	115,707
Recognition of equity-settled share based payments – share option	–	–	–	–	–	2,525	–	–	–	–	2,525	–	2,525
Shares issued upon exercise of share options	553	31,724	–	–	–	(4,429)	–	–	–	–	27,848	–	27,848
Lapse of vested share options	–	–	–	–	–	(2,991)	–	–	–	2,991	–	–	–
Repurchase of ordinary shares	(833)	(77,150)	–	–	–	–	–	–	–	–	(77,983)	–	(77,983)
Dividends paid	–	–	–	–	–	–	–	–	–	(2,092,161)	(2,092,161)	–	(2,092,161)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(316,482)	(316,482)
Special non-cash dividend by way of Distribution in Specie (note 43)	–	–	–	–	–	–	–	–	–	(3,883,752)	(3,883,752)	35,676	(3,848,076)
At 31 December 2017	**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**

Notes:

(i) Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition pursuant to the group reorganisation in previous years.

(ii) Other reserves represent the excess of the consideration paid for acquisition of additional interest in subsidiaries from non-controlling interests over the carrying amount of non-controlling interests.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
Operating activities			
Profit for the year (from continuing and discontinued operations)		268,014	571,921
Adjustments for:			
Income tax expense		21,604	(75,346)
Interest expenses		200,574	81,335
Depreciation and amortisation		27,855	38,449
Fair value changes on investment properties		(17,571)	104,625
Write off of bad debts from tenants		—	14,115
Write off of other receivables		—	353,127
Reversal of relocation costs		—	(71,721)
Loss on disposal of available-for-sales investments		29,999	—
Gain on disposal of subsidiaries	44	—	(801,690)
Gain on Distribution in Specie	43	(226,927)	—
Gain on disposal of club membership		—	(698)
Interest income		(2,709)	(5,409)
Gain on disposal of property, plant and equipment		(132)	(19)
Share-based payment expenses		2,525	5,462
Operating cash flows before movements in working capital		303,232	214,151
Increase in properties held for sale		—	195
Decrease in inventories		134	55
Increase in receivables, deposits and prepayments		(17,767)	(56,504)
Decrease in guaranteed bank balances		—	3,094
Increase in payables, rental deposits and accrued charges		45,012	119,227
Increase in sales deposits		—	4,507
Cash generated from operations		330,611	284,725
Interest paid		(212,140)	(91,994)
Tax paid		(13,985)	(18,639)
Tax refunded		3,963	10,884
Net cash from operating activities		108,449	184,976

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
Investing activities			
Acquisition of and additional cost on properties for development		—	(45,759)
Interest received from bank deposits		3,407	7,759
Decrease in loan receivables		1,649	624
Placement of fixed deposits		—	(4,460,201)
Placement of restricted bank deposits		—	(347)
Placement of pledged bank deposits		(1,000,023)	(533,105)
Withdrawal of fixed deposits		4,460,201	364,048
Redemption of note receivables at maturity		15,215	—
Redemption of available-for-sale investments at maturity		427,352	—
Purchase of property, plant and equipment		(32,959)	(3,035)
Acquisitions of investment properties through subsidiaries	42	(4,143,178)	(1,505,213)
Additions to investment properties		(10,166)	—
Proceeds on disposals of property, plant and equipment		469	60
Proceeds on disposals of club membership		—	2,578
Proceeds on disposal of available-for-sale investments		262,596	15,122
Purchase of available-for-sale investments		(3,660,161)	(1,388,144)
Net consideration received on disposal of subsidiaries	44	—	10,995,075
Advances to non-controlling interests		(2)	—
Investment in a joint venture		(1,728,800)	—
Net cash (used in) from investing activities		(5,404,400)	3,449,462
Financing activities			
Draw down of bank loans		8,010,406	3,491,280
Repayments of bank loans		(1,334,005)	(3,501,983)
Payment of front-end fee		(26,252)	(10,159)
Payment of guaranteed notes issue costs		(13,693)	—
Issue of guaranteed notes		1,555,480	—
Issue of new shares		27,848	31,993
Repurchase of ordinary shares		(77,983)	(165,936)
Repayment to non-controlling interests		—	(38)
Distribution in Specie	43	(1,743,434)	—
Dividends paid		(2,091,634)	(1,429,658)
Dividends paid to non-controlling interests		(316,482)	(47,978)
Net cash from (used in) financing activities		3,990,251	(1,632,479)
Net (decrease) increase in cash and cash equivalents		(1,305,700)	2,001,959
Cash and cash equivalents at beginning of the year		5,538,954	3,555,870
Effect of foreign exchange rate changes		2,484	(18,875)
Cash and cash equivalents at end of the year		4,235,738	5,538,954
Represented by:			
Bank balances and cash	30	4,235,738	9,999,155
Less: Fixed deposits with original maturity date more than 3 months and not exceeding one year		—	(4,460,201)
		4,235,738	5,538,954

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Nan Luen International Limited and its ultimate holding company is JCS Limited. Both holding companies are incorporated in Bermuda as exempted companies with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures relating to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 36. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 36, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- 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: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as low value or short-term leases. In addition, the Company currently considers refundable rental deposits received of HK$6,181,000 as right and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, these deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of these deposits may be adjusted to amortised cost and the adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

Furthermore, the application of new requirements may result in changes in measurement and presentation disclosure as indicated above.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39, the expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Receivables (including loan receivables, note receivables, restricted bank deposits, trade receivables, other receivables, amounts due from non-controlling interests, bank deposits and cash) carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 9 Financial Instruments *(continued)*

Classification and measurement: (continued)

- Unit fund investment classified as available-for-sale investments carried at fair value as disclosed in note 24, which are not held for short term trading purpose, will be subsequently measured at fair value through profit or loss upon the application of HKFRS 9. Accordingly, the unit fund will continue to be subsequently measured at fair value upon the application of HKFRS 9, and the fair value changes will be recognised to profit or loss;

- Debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 24 are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the debt instruments in the open market or over-the-counter, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value losses accumulated in the investments revaluation reserve will continue to be subsequently reclassified to profit or loss when the debentures are derecognised; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would have no material impact to the accumulated amount recognised under HKAS 39.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and available-for-sale investments, which are measured at revalued amount or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a joint venture *(continued)*

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Income from hotel operations and other service income are recognised when services are provided.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an investment property becomes property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, any difference between the carrying amount and the fair value of the property at the date of transfer is recognised in profit or loss. Subsequent to the transfer, the property is stated at deemed cost, equivalent to the fair value at the date of transfer, less subsequent accumulated depreciation and accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use in the supply of services, or for administrative purpose and other property, plant and equipment other than crockery, utensils and linen are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than crockery, utensils and linen, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Properties held for sale

Completed properties for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of the relevant asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as either loans and receivables or available-for-sale ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, note receivables, restricted bank deposits, trade receivables, other receivables, amounts due from non-controlling interests, bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated the investments as set out in note 24 as available-for-sale investments.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables, other receivables and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For financial assets carried at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including payables, amounts due to non-controlling interests, bank borrowings and guaranteed notes are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Club memberships

The Club membership with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the case of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interest in joint ventures.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to equity. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that the Group's investment properties situated in Hong Kong and in the United Kingdom (the "UK") are held under a business model whose objective is to recover the value through sale rather than to consume substantially all of the economic benefits embodied in the investment properties over time, whereas those situated in Australia are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is not rebutted for properties situated in Hong Kong and in the UK. As a result, the Group has not recognised any deferred taxes on changes in fair value of the Group's investment properties situated in the Hong Kong and in the UK as the Group is not subject to any income taxes on disposal of those investment properties. The presumption that the carrying amounts of the Group's investment properties situated in Australia are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of those investment properties is recognised according to the relevant tax rules.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income tax

No deferred tax asset has been recognised in respect of tax losses of HK$154,272,000 (2016: HK$69,238,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

Fair value of investment properties

Investment properties with a carrying amount of HK$6,214,249,000 in aggregate (2016: HK$3,679,641,000) are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have used different methods of valuation which involve certain assumptions of market conditions. In relying on the valuation report or making their own valuation, the directors of the Company have exercised their judgment and are satisfied that the methods of valuation are reflective of the current market conditions.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

In prior year, the capital structure of the Group consists of net cash (debt), which includes bank borrowings net of bank deposits, and bank balances and cash, and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and reserves. During the year, the available-for-sale investments have been included as part of the capital structure of the Group due to increase in investments in debt securities during the year under the Group's daily treasury management.

5. CAPITAL RISK MANAGEMENT *(continued)*

The directors of the Company review the capital structure periodically, monitor the level of bank borrowings and manage the leverage yield of returns while targeted to maintain a low gearing in prior year. The Group's percentage of net (debt) assets to the carrying value of properties (comprising investment properties, properties included in property, plant and equipment, investment in a joint venture and properties held for sale) at the end of the reporting period (with comparative figures restated for the inclusion of available-for-sales investments as discussed above) is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Fixed deposits	—	4,460,201
Bank balances and cash	4,235,738	5,538,954
Pledged bank deposits	1,533,852	533,105
Available-for-sale investments	4,492,805	1,514,638
Restricted bank deposits	—	5,589
Guaranteed notes	(1,553,287)	—
Bank borrowings	(11,067,306)	(4,290,654)
Net (debt) assets	(2,358,198)	7,761,833
Total carrying value of properties	6,864,801	4,548,670
Investment in a joint venture	1,728,800	—
	8,593,601	4,548,670
Percentage of net debt to carrying value of properties	27.4%	Net cash

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance is mainly focused on 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 Group's property investment activities are in Hong Kong, Australia and the United Kingdom. The property development, hotel operation and financial investment are in Hong Kong.

Operations in the People Republic of China ("PRC") was discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more details in note 17.

The financial investment segment includes interest income from time deposits and investment income from equity and bond investments.

6. SEGMENT INFORMATION *(continued)*

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

Segment revenues and results

For the year ended 31 December 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 revenue	—	152,765	233,411	190,256	576,432
SEGMENT RESULTS					
Segment (loss) profit	(232)	134,613	69,958	151,730	356,069
Unallocated interest income					1,960
Corporate income less expenses					(104,886)
Finance costs					(196,363)
Profit before taxation					56,780

For the year ended 31 December 2016

Continuing operations

	Property development HK$'000 (Restated)	Property investment HK$'000 (Restated)	Hotel operation HK$'000 (Restated)	Financial investment HK$'000 (Restated)	Consolidated HK$'000 (Restated)
SEGMENT REVENUE					
External revenue	2,600	136,875	228,914	45,824	414,213
SEGMENT RESULTS					
Segment profit	1,143	916,309	67,913	45,346	1,030,711
Corporate income less expenses					(128,061)
Finance costs					(64,883)
Profit before taxation					837,767

Segment profit of the property investment division for year ended 31 December 2017 included an increase in fair value of investment properties of HK$17,571,000 (2016: a decrease in fair value of investment properties of HK$3,954,000 and gain on disposal of subsidiary of HK$797,385,000).

The Group does not allocate general interest income, 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 CODM.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

6. SEGMENT INFORMATION *(continued)*

Other segment profit or loss information

The following charges (credits) are included in the measurement of segment profit or loss:

For the year ended 31 December 2017

Continuing operations

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Consolidated HK$'000
Amortisation and depreciation					
— Club memberships	—	60	—	—	60
— Property, plant and equipment	—	1,637	25,301	—	26,938
Fair value changes on investment properties	—	(17,571)	—	—	(17,571)
(Gain) loss on disposal of property, plant and equipment	—	(413)	281	—	(132)

For the year ended 31 December 2016

Continuing operations

	Property development HK$'000 (Restated)	Property investment HK$'000 (Restated)	Hotel operation HK$'000 (Restated)	Financial investment HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Amortisation and depreciation					
— Club memberships	—	141	—	—	141
— Deprecation of property, plant and equipment	—	4,121	24,657	—	28,778
Fair value changes on investment properties	—	3,954	—	—	3,954
Gain on disposal of subsidiaries	—	(797,385)	—	—	(797,385)
(Gain) loss on disposal of property, plant and equipment	—	(60)	24	—	(36)

6. SEGMENT INFORMATION *(continued)*

Geographical information

The Group operates in three principal geographical areas, being Hong Kong (country of domicile), Australia and the UK.

The Group's revenue from external customers by the geographical location of its properties or the principal place of business of the Company is detailed below.

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Hong Kong	430,299	381,910
Australia	16,313	15,713
UK	129,820	16,590
	576,432	414,213

Other than the tenant of 20 Moorgate from whom the rental income represents 13% of the total revenue of the Group, there is no other single customer who contributes over 10% of the total revenue of the Group.

The Group's information about its non-current assets, excluding financial assets and investment in a joint venture, by geographical location are detailed below.

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Hong Kong	2,220,849	686,156
PRC (Note)	1,315	1,375
Australia	174,615	158,358
UK	4,495,234	1,555,545
	6,892,013	2,401,434
Discontinued operations		
PRC	—	1,984,386
	6,892,013	4,385,820

Note: The amounts represent the club membership of a PRC association.

6. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

The total assets of the Group by geographical location which is determined by reference to the location of the asset or the principal place of the business of the Company are detailed below.

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Hong Kong	14,208,134	13,101,690
PRC	1,315	1,375
Australia	210,588	186,167
UK	4,591,066	1,581,668
	19,011,103	14,870,900
Discontinued operations		
PRC	—	2,408,988
	19,011,103	17,279,888

No segment liabilities are presented as the information is not reported to the CODM in the resource allocation and assessment of performance.

7. REVENUE

The following is an analysis of the Group's revenue from its major business activities:

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Sale of properties	—	2,600
Renting of investment properties	152,765	136,875
Hotel operation	233,411	228,914
Return from financial investment	190,256	45,824
	576,432	414,213

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

8. OTHER INCOME

	2017 HK$'000	2016 HK$'000 (Restated)
Included in other income is:		
Continuing operations		
Net exchange gain	5,969	—
Interest earned on bank deposits	1,832	291

9. PROPERTY AND RELATED COSTS

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Cost of properties sold	—	430
Selling and marketing expenses	919	1,062
Direct operating expenses of investment properties	10,361	6,402
	11,280	7,894

10. OTHER EXPENSES

	2017 HK$'000	2016 HK$'000 (Restated)
Included in other expenses are:		
Continuing operations		
Hotel operating expenses	57,119	62,358
Legal and professional fees	42,159	19,636
Net exchange loss	—	2,577

11. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Gain on disposal of subsidiaries (note 44)	—	797,385
Loss on disposal of available-for-sale investments	(29,999)	—
	(29,999)	797,385

12. FINANCE COSTS

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Interest on bank borrowings	114,646	60,533
Interest on guaranteed notes	66,691	—
Amortisation of bank borrowings front-end fee	5,625	2,375
Amortisation of guaranteed notes issue costs	4,353	—
Other charges	5,048	1,975
	196,363	64,883

13. PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000 (Restated)
Profit before taxation has been arrived at after charging (crediting):		
Continuing operations		
Auditor's remuneration	2,022	3,675
Share-based payment expenses		
— Share options	2,525	5,462
Gain on disposal of property, plant and equipment	(132)	(36)
Interest income from second mortgage loans	(129)	(187)
Gross rental income from investment properties	(152,765)	(136,875)
Less: Direct operating expenses	10,361	6,402
Net rental income	(142,404)	(130,473)

14. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
The charge comprises:		
Current tax		
Hong Kong Profits Tax	4,263	12,268
Other jurisdictions	8,005	3,459
	12,268	15,727
Under(over) provision in prior years		
Hong Kong Profits Tax	285	(139)
Other jurisdictions	203	309
	488	170
Deferred tax		
— current year	3,650	831
	16,406	16,728

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

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

Details of deferred taxation are set out in note 35.

Income tax expense for the year can be reconciled to profit before taxation in the consolidated statement of profit or loss as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations		
Profit before taxation	56,780	837,767
Tax at the domestic income tax rate of 16.5%	(9,369)	(138,232)
Tax effect of expenses not deductible for tax purposes	(50,924)	(36,064)
Tax effect of income not taxable for tax purposes	40,376	157,417
Tax effect of tax losses not recognised	(1,147)	(12)
Utilisation of tax losses previously not recognised	9,825	2,155
Effect of different tax rates of subsidiaries operating overseas	(4,630)	(1,494)
Underprovision in prior years	(488)	(170)
Others	(49)	(328)
Income tax expense for the year	(16,406)	(16,728)

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company for the year are as follows:

	Mr. Lu Wing Chi HK$'000	Mr. Lambert Lu HK$'000	Mr. Lam Sing Tai HK$'000	Mr. Lincoln Lu HK$'000	Mr. Walujo Santoso, Wally HK$'000	Mr. Leung Hok Lim HK$'000	Mr. Chung Pui Lam HK$'000	Mr.Lu Wing Yuk, Andrew HK$'000	Total HK$'000
2017									
Fees	**92**	**92**	**92**	**92**	**200**	**250**	**250**	**–**	**1,068**
Other emoluments									
Salaries and other benefits	**6,600**	**4,800**	**2,400**	**1,600**	**–**	**–**	**–**	**–**	**15,400**
Discretionary and performance based bonus (Note below)	**5,779**	**5,779**	**500**	**500**	**–**	**–**	**–**	**–**	**12,558**
Retirement benefits scheme contributions	**990**	**600**	**360**	**200**	**–**	**–**	**–**	**–**	**2,150**
Total emoluments	**13,461**	**11,271**	**3,352**	**2,392**	**200**	**250**	**250**	**–**	**31,176**
2016									
Fees	230	230	230	230	200	250	250	8	1,628
Other emoluments									
Salaries and other benefits	6,600	3,840	2,400	3,840	–	–	–	398	17,078
Discretionary and performance based bonus (Note below)	18,267	1,522	1,200	1,522	–	–	–	–	22,511
Retirement benefits scheme contributions	990	480	360	480	–	–	–	59	2,369
Total emoluments	26,087	6,072	4,190	6,072	200	250	250	465	43,586

Note:

The directors' fee shown above were mainly for their services as directors of the Company and its subsidiaries.

The other emoluments shown above were mainly for their services in connection with management of the affairs of the Company and the Group.

The discretionary and performance based bonus to Messrs. Lu Wing Chi and Lambert Lu are based on their contribution to the Group and calculated on the basis of profit before taxation attributable to the Company's shareholders. The discretionary and performance based bonus to Messrs. Lam Sing Tai and Lincoln Lu are based on the performance of the Group and their individual performance.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2016: four) were directors of the Company whose emoluments are disclosed in note 15. The emoluments of the remaining one (2016: one) individual for the year amounted to HK$1,700,000 (2016: HK$5,627,000), comprising salaries and other benefits of HK$200,000 (2016: HK$5,511,000), retirement benefits scheme contributions of HK$nil (2016: HK$116,000), discretionary and performance based bonus of HK$1,500,000 (2016: HK$nil) for his service rendered to the Group.

17. DISCONTINUED OPERATIONS

Group reorganisation

During the year, the Company undertook a restructuring (the "Restructuring") by implementing an assets redistribution 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 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"). Upon completion of the Assets Redistribution, AGP's non-PRC assets were held indirectly as to 100% by the Company and AGP continues to hold its PRC assets. Completion of the Assets Redistribution took place on 15 May 2017.

On 15 May 2017, the Company completed distribution of a special non-cash dividend by way of Distribution in Specie of the 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 to be a subsidiary of the Company, and accordingly the Group ceased its business and operations in the PRC.

The profit (loss) for the year from the discontinued operations is analysed as follows:

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year from discontinued operations before gain arising from Distribution in Specie	713	(249,118)
Gain arising from Distribution in Specie: Realisation of translation reserve (note 43)	226,927	—

17. DISCONTINUED OPERATIONS *(continued)*

Group reorganisation *(continued)*

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

	2017 HK$'000	2016 HK$'000
Revenue	51,127	151,766
Other income	3,940	15,273
Costs:		
Property and related costs	(9,083)	(33,625)
Staff costs	(20,929)	(18,596)
Depreciation	(857)	(9,530)
Other expenses	(14,076)	(44,455)
	(44,945)	(106,206)
Profit before fair value changes on investment properties	10,122	60,833
Fair value changes on investment properties	—	(100,671)
Profit (loss) after fair value changes on investment properties	10,122	(39,838)
Other gains and losses	—	(277,101)
Finance costs	(4,211)	(24,253)
Profit (loss) before tax	5,911	(341,192)
Income tax (expense) credit	(5,198)	92,074
Profit (loss) for the year	713	(249,118)

The carrying amounts of the assets and liabilities of AGP and its subsidiaries upon the Distribution in Specie are set out in note 43.

18. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distributions during the year:		
2017 interim dividend — HK2 cents (2016: 2016 interim dividend — HK5 cents) per share	13,617	33,864
2016 final dividend — HK6 cents (2016: 2015 final dividend — HK6 cents) per share	40,900	40,654
Special cash dividend of HK$3 per share (2016: HK$2 per share)	2,037,644	1,355,140
Special non-cash dividend by way of Distribution in Specie (note 43)	3,883,752	—
	5,975,913	1,429,658
2017 final dividend proposed: HK3 cents (2016: HK6 cents) per share	20,115	40,717

A 2017 final dividend of HK3 cents (2016: HK6 cents) per share has been proposed by the directors of the Company and is subject to approval by the Company's shareholders at the forthcoming annual general meeting.

19. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2017 HK$'000	2016 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to Company's shareholders	267,326	684,289

	Number of shares	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	679,527,074	677,817,281
Effect of dilutive potential ordinary share options	4,937,493	14,102,335
Weighted average number of ordinary shares for the purpose of diluted earnings per share	684,464,567	691,919,616

19. EARNINGS PER SHARE *(continued)*

From continuing operations

	2017 HK$'000	2016 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to the Company's shareholders	267,326	684,289
(Less) add: result for the year from discontinued operations attributable to the Company's shareholders	(226,935)	136,747
Profit for the year from continuing operations attributable to the Company's shareholders	40,391	821,036

From discontinued operations

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year from discontinued operations attributable to the Company's shareholders	226,935	(136,747)
Basic earnings (loss) per share	HK 33.4 cents	HK (20.2) cents
Diluted earnings (loss) per share	HK 33.2 cents	HK (19.8) cents

19. 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 year 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:

	2017 HK\$'000	2016 HK\$'000
Profit for the year attributable to the Company's shareholders as shown in the consolidated statement of profit or loss	**267,326**	684,289
Fair value changes on investment properties	**(17,571)**	104,625
Deferred tax thereon	**678**	(24,515)
Attributable to non-controlling interests	**—**	(2,136)
Adjusted profit attributable to the Company's shareholders	**250,433**	762,263
Earnings per share excluding fair value changes on investment properties net of deferred tax		
Basic	**HK 36.9 cents**	HK112.5 cents
Diluted	**HK 36.6 cents**	HK110.2 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 deferred tax) for the years ended 31 December 2017 and 2016 are the same as those detailed in the calculation of basic and diluted adjusted earnings per share from continuing and discontinued operations above.

20. INVESTMENT PROPERTIES

	Hong Kong HK$'000	PRC HK$'000	United Kingdom HK$'000	Australia HK$'000	Total HK$'000
At 1 January 2016	8,997,800	2,186,317	79,650	158,692	11,422,459
Acquisition of assets through acquisition of subsidiaries (note 42(a))	—	—	1,505,213	—	1,505,213
Fair value changes	(300)	(100,671)	(5,386)	1,732	(104,625)
Disposal (note 44(a))	(8,983,000)	—	—	—	(8,983,000)
Exchange adjustments	—	(134,408)	(23,932)	(2,066)	(160,406)
At 31 December 2016	14,500	1,951,238	1,555,545	158,358	3,679,641
Additions	10,166	—	—	—	10,166
Acquisition of assets through acquisition of subsidiaries (notes 42(b) and (c))	1,537,403	—	2,634,253	—	4,171,656
Transfer to property, plant and equipment (note 21)	—	(8,369)	—	—	(8,369)
Fair value changes	(17,669)	—	33,442	1,798	17,571
Distribution in Specie (note 43)	—	(1,967,473)	—	—	(1,967,473)
Exchange adjustments	—	24,604	271,994	14,459	311,057
At 31 December 2017	**1,544,400**	**—**	**4,495,234**	**174,615**	**6,214,249**

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.

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. The Group engages independent qualified external valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, 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 techniques used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

20. INVESTMENT PROPERTIES *(continued)*

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rates used and monthly 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 monthly unit rent, the higher the fair value and vice versa.

The key inputs used in valuing the investment properties under the direct comparison 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.

Details of the valuation methodology and the significant inputs are as follows:

Valuer	**Class of properties**	**Valuation methodology**	**Key inputs to the valuation (including capitalisation rate and market value)**		**Fair value hierarchy**
			2017	2016	
Savills Valuation and Professional Services Limited*	Shop and office portion	Income capitalisation approach whereby the rental income of contractual tenancies are capitalised for the unexpired terms of tenancies. The valuers have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation.	**Not Applicable**	PRC shop capitalisation rates ranging from 7.0% to 9.0% per annum	Level 3
			Not Applicable	PRC office capitalisation rates ranging from 6.0% to 6.5% per annum	
	Car park portion	Sales comparison approach and made reference to the sales of comparable properties as available in the market.	**Not Applicable**	PRC car park comparable ranging from RMB131,000 to RMB140,000 per space	Level 3
	Residential units	Sales comparison approach and made reference to the sales of comparable properties as available in the market.	**Hong Kong residential units comparable ranging from HK$13,900 to HK$24,000 per square feet**	Hong Kong residential units comparable ranging from HK$12,400 to HK$21,100 per square feet	Level 3

20. INVESTMENT PROPERTIES *(continued)*

Details of the valuation methodology and the significant inputs are as follows:

Valuer	Class of properties	Valuation methodology	Key inputs to the valuation (including capitalisation rate and market value)		Fair value hierarchy
			2017	2016	
CBRE Limited**	Residential units	Direct comparison approach and made reference to comparable sales evidence as available in the market.	**Hong Kong residential units comparable ranging from HK$50,056 to HK$52,113 per square feet**	Not Applicable	Level 3
Savills (UK) Limited#	Office portion	The valuers have used the direct comparison and traditional "all risks" investment yield method of valuation, having regard to comparable evidence and investment market sentiment.	**UK office capitalisation rates ranging from 3.78% to 4.17% per annum**	UK office capitalisation rate 4.17% per annum	Level 3
	Office portion	The valuers have used a traditional investment method of valuation in which the valuers have reflected the current lease terms and capitalised the appropriate income stream.	**UK office capitalisation rate 6.75% per annum**	UK office capitalisation rate 6.75% per annum	Level 3

20. INVESTMENT PROPERTIES *(continued)*

Details of the valuation methodology and the significant inputs are as follows:

Valuer	Class of properties	Valuation methodology	Key inputs to the valuation (including capitalisation rate and market value) 2017	Key inputs to the valuation (including capitalisation rate and market value) 2016	Fair value hierarchy
CBRE Valuations Pty Limited[@]	Resort portion	The primary valuation methodologies generally used are the Income Capitalisation Approach and/or Discounted Cash Flow Analysis with a check by the Direct Comparison Approach. These approaches are based upon an estimation of future trading results which are based on historic trading analysis and future trading expectations having regard to any forecast capital expenditure, supply and demand factors, and estimated changes in economic and local market conditions, and/or management/lease terms.	**Austalia resort capitalisation rates ranging from 10.4%-10.5% per annum**	Austalia resort capitalisation rates ranging from 10.3%-10.5% per annum	Level 3

* Savills Valuation and Professional Services Limited is an independent professional valuer not connected to the Group and is a firm of Chartered Surveyors recognised by The Hong Kong Institute of Surveyors.

Savills (UK) Limited, a firm of chartered surveyors not connected to the Group, is regulated by the Royal Institution of Chartered Surveyors, a subsidiary of Savills Plc.

@ CBRE Valuations Pty Limited is an independent professional valuer not connected to the Group and is a firm of Registered Valuers recognised by the Australian Property Institute.

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

All valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

There were no transfers into or out of Level 3 for both years.

21. PROPERTY, PLANT AND EQUIPMENT

	Hotel property in Hong Kong HK$'000	Other properties in Hong Kong HK$'000	Properties in PRC HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Crockery, utensils and linen HK$'000	Total HK$'000
COST									
At 1 January 2016	789,541	258,998	37,006	44,142	45,483	14,602	78,495	5,051	1,273,318
Additions	–	–	–	6	1,937	1,077	–	15	3,035
Disposals	(11)	–	–	(3)	(257)	(344)	(1,172)	–	(1,787)
Disposal of subsidiaries (note 44)	–	(258,998)	–	(494)	(2,822)	(3,107)	(4,675)	–	(270,096)
Exchange adjustments	–	–	(2,338)	(404)	(146)	(182)	(151)	–	(3,221)
At 31 December 2016	789,530	–	34,668	43,247	44,195	12,046	72,497	5,066	1,001,249
Additions	–	24,670	–	–	5,412	725	2,152	–	32,959
Disposals	(26)	–	(136)	(274)	(1,940)	(1,554)	(76)	(177)	(4,183)
Distribution in specie (note 43)	–	–	(43,369)	(5,866)	(2,163)	(3,533)	(3,067)	–	(57,998)
Transfer from investment properties (note 20)	–	–	8,369	–	–	–	–	–	8,369
Exchange adjustments	–	–	468	73	27	28	29	–	625
At 31 December 2017	**789,504**	**24,670**	**–**	**37,180**	**45,531**	**7,712**	**71,535**	**4,889**	**981,021**
DEPRECIATION									
At 1 January 2016	123,290	42,983	3,421	26,862	39,753	13,202	77,324	–	326,835
Provided for the year	19,998	2,850	807	4,910	2,215	694	488	–	31,962
Eliminated on disposals	(2)	–	–	(21)	(623)	(328)	(772)	–	(1,746)
Disposal of subsidiaries (note 44)	–	(45,833)	–	(429)	(884)	(2,325)	(4,675)	–	(54,146)
Exchange adjustments	–	–	(247)	(267)	(121)	(167)	(134)	–	(936)
At 31 December 2016	143,286	–	3,981	31,055	40,340	11,076	72,231	–	301,969
Provided for the year	19,997	344	293	4,133	2,412	299	317	–	27,795
Distribution in specie (note 43)	–	–	(4,265)	(4,679)	(1,857)	(3,151)	(2,074)	–	(16,026)
Eliminated on disposals	(5)	–	(85)	(198)	(1,928)	(1,554)	(76)	–	(3,846)
Exchange adjustments	–	–	76	54	22	26	26	–	204
At 31 December 2017	**163,278**	**344**	**–**	**30,365**	**38,989**	**6,696**	**70,424**	**–**	**310,096**
CARRYING VALUES									
At 31 December 2017	**626,226**	**24,326**	**–**	**6,815**	**6,542**	**1,016**	**1,111**	**4,889**	**670,925**
At 31 December 2016	646,244	–	30,687	12,192	3,855	970	266	5,066	699,280

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

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and properties	Over the lease terms ranging from 42 years to 45.5 years
Completed hotel building	40 years
Other building	4%
Plant and machinery	10%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Leasehold improvements	25%

The carrying amounts of properties shown above comprise properties situated in:

	2017 HK$'000	2016 HK$'000
Properties in Hong Kong	650,552	646,244
Properties in the PRC	—	30,687

22. CLUB MEMBERSHIPS

Club memberships with finite useful lives are amortised on a straight-line basis over the membership period of 24 years up to 31 December 2039 as the directors of the Company are of the opinion that the Group will derive benefits from the use of these club memberships over their lives.

Club memberships with indefinite useful lives are stated at cost. All club memberships will be tested for impairment annually or whenever there is an indication of impairment.

During the year ended 31 December 2017, amortisation of HK$60,000 (2016: HK$141,000) was recognised in profit or loss.

23. INVESTMENT IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Interest in a joint venture	1,728,800	—

Details of each of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2017	2016	2017	2016	
Asia Bright Development Limited ("Asia Bright")	Hong Kong	Hong Kong	10%	—	10%	—	Property development

Asia Bright is accounted for as a joint venture as at 31 December 2017 as major financial and operating decision required the unanimous consent of all joint venture partners in accordance with the Memorandum of Agreement.

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

23. INVESTMENT IN A JOINT VENTURE *(continued)*

Asia Bright Development Limited

	2017 HK$'000
Current assets — property held for sale under development	17,288,000

	2017 HK$'000
Revenue	—
Profit for the year	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in Asia Bright recognised in the consolidated financial statements:

	2017 HK$'000
Net assets of Asia Bright	17,288,000
Proportion of the Group's ownership interest in Asia Bright	10%
Carrying amount of the Group's interest in Asia Bright	1,728,800

24. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted investments at cost:		
— Equity securities (note a)	—	5,817
— Convertible loan (note b)	—	5,817
Unlisted investments at fair value:		
— Debt securities (note c)	503,000	496,719
— Unit fund	6,251	—
	509,251	508,353
Listed investments at fair value:		
— Equity securities listed in Hong Kong (note d)	—	124,191
— Debt securities (note e)	3,983,554	882,094
	3,983,554	1,006,285
Total	4,492,805	1,514,638
Analysed for reporting purposes as:		
Current assets	1,327,704	137,204
Non-current assets	3,165,101	1,377,434
	4,492,805	1,514,638

(a) As at 31 December 2016, unlisted equity securities classified as AFS held by the Group amounting to US$750,000 (equivalent to HK$5,817,000), representing approximately an 8% equity interest of the investee company, were measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company were of the opinion that the fair value cannot be measured reliably.

24. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

(b) As at 31 December 2016, the Group committed and contributed an unsecured interest-free loan in the sum of US$750,000 (equivalent to HK$5,817,000) to the investee company as set out in note (a) which was measured at amortised cost less impairment at the end of the reporting period.

The investee company was scheduled to repay the convertible loan at its principal amount of US$500,000 on 14 October 2017 and US$250,000 on 30 July 2018 (the "Maturity date"). The Group has the right to convert into shares representing not more than a 7% equity interest of the investee company.

The conversion option feature is regarded as a derivative embedded in but not closely related to the convertible loan in accordance with HKAS 39. However, in the opinion of the directors of the Company, the fair value of the embedded derivative as at 31 December 2016 was insignificant and therefore it was not accounted for as a separate component in the consolidated financial statements.

During the year ended 31 December 2017, all unlisted equity securities (note a) and the convertible loan (note b) measured at cost were disposed in full upon the exercise of the Distribution in Specie as detailed in note 43.

(c) As at 31 December 2017, 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 as well as money lending) in 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 31 December 2017, the Note is measured at fair value (2016: fair value) determined based on the valuation conducted by an independent professional valuer. Included in the segment revenue of the financial investments division was the interest income from the Note of HK$37,483,000 for the year ended 31 December 2017 (2016: HK$1,611,000).

(d) As at 31 December 2016, the listed investments represented equity securities listed in Hong Kong.

(e) As at 31 December 2017, the Group's investments in listed debt securities with principal amount ranging from US$0.2 million to US$23 million will be maturing between January 2018 to July 2020 with fixed interests ranging from 1.6% to 8.7% per annum (2016: January 2017 to September 2019 with fixed interests ranging from 1.9% to 8.0% per annum), which have been pledged as security for the bank borrowings (2016: pledged). Included in the segment revenue of the financial investments division was the interest income of the listed debt securities of HK$64,976,000 for the year ended 31 December 2017 (2016: HK$3,343,000).

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

Details of fair value measurement are disclosed in note 36(c).

25. LOAN RECEIVABLES

	2017 HK$'000	2016 HK$'000
Second mortgage loans	**1,887**	3,536
Analysed for reporting purposes:		
Non-current assets	**1,688**	3,160
Current assets	**199**	376
	1,887	3,536

The loans bear interest at Hong Kong Prime Rate and are repayable by monthly installments over a period of not more than 20 years as stipulated in the respective agreements.

The second mortgage loans are secured by the leasehold properties of the borrowers.

The effective interest rate of the loan receivables is 5.0% (2016: 5.0%) per annum.

Loan receivables balances which are past due at the end of the reporting period are minimal and are not considered impaired. In determining the recoverability of the loan receivables, the Group considers, among other factors, any change in value of the properties securing the loans.

The concentration of credit risk is limited due to the customer base being unrelated. No single loan receivable is individually material.

26. NOTE RECEIVABLES

As at 31 December 2017, the amount represents the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US$5,000,000 (equivalent to HK$39,067,000) (2016: US$5,000,000 (equivalent to HK$38,773,000)) maturing on 9 August 2018. As at 31 December 2016, the amount also included the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US$2,000,000 (equivalent to HK$15,509,000) which matured and was settled during the year ended 31 December 2017. 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.

The host contracts of the note are measured at amortised cost. The index-linked feature is regarded as an embedded derivative but not closely related to the host contract in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*. However, in the opinion of the directors of the Company, the fair values of the embedded derivatives at the end of the reporting period are insignificant and therefore they have not been accounted for as a separate component in the consolidated financial statements.

27. RESTRICTED BANK DEPOSITS/PLEDGED BANK DEPOSITS

Pledged bank deposits classified as current asset carry fixed interest rates ranged from 1.0% to 1.2% (2016: 0.1%) per annum and are placed with a bank in relation to secure a revolving loan facility.

As at 31 December 2016, restricted bank deposits classified as non-current asset carries fixed interest rates at 1.6% per annum and were placed with a bank in relation to long-term bank borrowings. These restricted bank deposits were derecognised during the year upon the Distribution in Specie as set out in note 43.

28. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**6,633**	8,001
Amount receivables from disposal of subsidiaries (note 44(d))	**—**	445,000
Accrued income	**2,163**	72,366
Deposits, prepayments and other receivables	**77,033**	61,944
	85,829	587,311

Trade receivables mainly represent rental receivable 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 aged analysis of trade receivables, presented based on the invoice date, at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**6,142**	5,622
31 to 60 days	**245**	344
61 to 90 days	**138**	18
91 to 365 days	**108**	1,100
Over 365 days	**—**	917
	6,633	8,001

28. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Before granting credit to any corporate customers and travel agents, the Group uses an internal credit assessment policy to assess the potential customers' credit quality and defines credit limit by corporate customer and travel agents. Trade receivables of HK$491,000 (2016: HK$2,513,000) at the end of the reporting period are past due but not considered impaired as most of them are substantially covered by deposits received. The Group considers that the amounts are still recoverable and no provision is required.

Ageing of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
0 to 30 days	—	134
31 to 60 days	245	344
61 to 90 days	138	18
91 to 365 days	108	1,100
Over 365 days	—	917
Total	491	2,513

29. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

The amounts due to non-controlling interests are unsecured, interest-free and fully repaid during the year.

30. FIXED DEPOSITS, AND BANK BALANCES AND CASH

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	4,235,738	5,538,954
Fixed deposits with an original maturity period more than 3 months	—	4,460,201
	4,235,738	9,999,155

Bank balances and cash comprise cash and short-term bank deposits which carry fixed interest rates ranging from 0.1% to 2.4% (2016: 0.1% to 1.7%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	1,847	645,526
United States dollars	3,879,198	67
Renminbi	1,382	1,120
Australian dollars	2,798	579
Great Britain Pounds	7,858	43,095

31. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	2017 HK$'000	2016 HK$'000
0 to 60 days	2,212	2,111
61 to 90 days	—	321
Trade payables	2,212	2,432
Rental deposits	6,181	37,784
Rental received in advance	59,077	33,154
Other payables, other deposits and accrued charges	72,288	109,541
Interest payables	49,945	5,510
	189,703	188,421

31. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES *(continued)*

As at 31 December 2016, included in other payables is an aggregate amount of HK$24,609,000 payable to contractors for the cost in relation to the tenant relocation arrangements, excavation and infrastructure work on certain pieces of land in the PRC.

Rental deposits to be refunded after twelve months from the end of the reporting period based on the respective lease terms amounted to HK$5,896,000 (2016: HK$25,610,000).

32. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured	9,393,402	3,508,337
Unsecured	1,710,000	800,000
	11,103,402	4,308,337
Less: Front-end fee	(36,096)	(17,683)
	11,067,306	4,290,654
Analysed for reporting purpose as:		
Current liabilities	6,318,864	2,186,719
Non-current liabilities	4,748,442	2,103,935
	11,067,306	4,290,654
The bank borrowings are repayable as follows:		
On demand or within one year	6,319,897	2,189,628
Within a period of more than one year, but not exceeding two years	130,432	99,457
Within a period of more than two years, but not exceeding five years	4,653,073	1,965,512
Within a period of more than five years	—	53,740
	11,103,402	4,308,337

32. BANK BORROWINGS *(continued)*

Except for the bank borrowing of HK$3,014,353,000 (2016: HK$723,420,000) denominated in Hong Kong dollars being the foreign currency of the relevant group entities with functional currency in United States Dollars ("USD"), the remaining bank borrowings are denominated in the functional currencies of the relevant group entities, the principal amount of which are analysed below:

Denominated in	**2017** **HK$'000**	2016 HK$'000
Hong Kong dollars	**3,577,800**	1,835,000
Renminbi	**—**	140,017
Australian dollars	**79,370**	72,744
Great Britain Pounds	**4,431,879**	1,537,156
	8,089,049	3,584,917

The effective interest rates of these variable rate borrowings range from 1.0% to 3.6% (2016: 1.2% to 5.4%) per annum.

33. 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"). At maturity, the Guaranteed Notes are payable at their principal amount.

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

34. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each		**Nominal value**	
	2017	2016	**2017** **HK$'000**	2016 HK$'000
Authorised	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of year	**676,564,726**	677,651,726	**67,656**	67,765
Shares issued upon exercise of share options	**5,527,000**	7,657,000	**553**	765
Repurchase of ordinary shares	**(8,332,000)**	(8,744,000)	**(833)**	(874)
At end of year	**673,759,726**	676,564,726	**67,376**	67,656

34. SHARE CAPITAL *(continued)*

During the year, 2,452,000 and 3,075,000 (2016: 5,732,000 and 1,925,000 ordinary shares of HK$0.1 each in the Company were issued at the subscription prices of HK$3.454 and HK$6.302 per share respectively) ordinary shares of HK$0.1 each in the Company were issued at the subscription prices of HK$3.454 and HK$6.302 per share respectively, upon exercise of the share options.

During the year, the Company repurchased 8,332,000 (2016: 8,744,000) of its own ordinary shares at prices ranging from HK$7.64 to HK$12.30 (2016: HK$13.08 to HK$26.10) for an aggregate consideration of HK$77,983,000 (2016: HK$165,936,000). The shares were cancelled following repurchase.

None of the Company's subsidiaries purchased or sold any of the Company's shares during the year.

35. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Fair value of investment properties HK$'000	Effective rental income HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	27,965	401,470	22,039	(7,034)	1,932	446,372
Exchange adjustments	(58)	(22,783)	(1,263)	228	1	(23,875)
Charge (credit) to profit or loss	301	(24,515)	(3,190)	2,607	(183)	(24,980)
Disposal of subsidiaries	(24,439)	—	—	—	(1,779)	(26,218)
At 31 December 2016	3,769	354,172	17,586	(4,199)	(29)	371,299
Exchange adjustments	158	7,034	221	(194)	(7)	7,212
Charge (credit) to profit or loss	4,733	678	2	(1,612)	18	3,819
Acquisition of subsidiaries (note 42(b))	17,890	—	—	(10,633)	—	7,257
Distribution in specie (note 43)	—	(325,762)	(17,809)	1,898	—	(341,673)
At 31 December 2017	**26,550**	**36,122**	—	**(14,740)**	**(18)**	**47,914**

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

35. DEFERRED TAXATION *(continued)*

At 31 December 2017, the Group has unused tax losses of HK$187,548,000 (2016: HK$85,136,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$83,607,000 (2016: HK$15,898,000) of these losses. No deferred tax asset has been recognised in respect of the remaining HK$103,941,000 (2016: HK$69,238,000) as it is not probable that taxable profit will be available to offset against the tax losses due to the unpredictability of future profit streams. Except for the tax losses set out below which will expire in the following years ending 31 December, the remaining tax losses may be carried forward indefinitely:

	2017 HK$'000	2016 HK$'000
2017	—	1,092
2018	—	4,248
2019	—	11,967
2020	—	11,801
2021	—	13,159
	—	42,267

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	5,887,117	11,048,706
Available-for-sale investments		
— listed	3,983,554	1,006,285
— unlisted	509,251	508,353
Financial liabilities		
Financial liabilities at amortised cost	12,726,650	4,478,764

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations. The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including primarily foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall strategy remains unchanged from prior year.

Market risk

(i) Foreign currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets/(liabilities), which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, the management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

The carrying amounts of the foreign currency denominated net monetary assets (liabilities) at the end of the reporting period in the respective group entities are as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	(3,012,556)	(77,436)
United States dollars	5,391,064	65,953
Renminbi	1,382	2,395
Australian dollars	2,798	579
Great Britain Pounds	7,858	43,095

The loans to foreign operations within the Group that form part of the Group's net investment in the foreign operations are denominated in foreign currencies which is the same as the functional currency of the foreign entities.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2016: 5%) appreciation in the functional currencies of the relevant subsidiaries (i.e. Renminbi, United States dollars, Hong Kong dollars, Australian dollars and Great Britain Pounds), relative to the foreign currencies of the relevant subsidiaries (i.e. Hong Kong dollars, United States dollars, Renminbi, Australian dollars and Great Britain Pounds). There would be an equal and opposite impact where Hong Kong dollars, United States dollars, Renminbi, Australian dollars and Great Britain Pounds weaken by 5% (2016: 5%) against the relevant currencies.

	(Increase) decrease in profit for the year	
	2017 HK$'000	2016 HK$'000
Hong Kong dollars	(150,628)	(3,872)
United States dollars	269,553	3,298
Renminbi	69	120
Australian dollars	140	29
Great Britain Pounds	393	2,155

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Since the Hong Kong dollar is pegged to the United States dollar under the Linked Exchange Rate System, the management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuations between the Hong Kong dollar and the United States dollar.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, note receivables, bank balances and deposits. The directors of the Company consider that the interest rate risk on bank balances and deposits are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is presented. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, GBP LIBOR, the PBOC Prescribed Interest Rates and Australian Bank Bill Swap Bid Rate on the bank borrowings, and Hong Kong Prime Rate on the note receivables.

The Group currently does not have an interest rate swap hedging policy. However, the management monitors the interest rate exposure and will consider hedging interest rate risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates in relation to the Group's variable-rate bank borrowings and loan receivables at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have decreased/increased by HK$55,507,000 (2016: HK$21,524,000).

(iii) Price risk

The Group is exposed to price risk through its investments in available-for-sale investments. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on debt instruments quoted in an active market. In addition, the Group has formed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to market price risk at the reporting date. For sensitivity analysis purpose, if the prices of the respective instruments had been 5% higher/lower, investments revaluation reserve would have increased/decreased by HK$199,178,000 (2016: HK$50,314,000) for the Group as a result of the changes in fair value of the listed available-for-sale investments.

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position, which is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2016, the Group has concentration of credit risk on receivables from disposal of subsidiaries as set out in notes 28 and 44(d). The management of the Group has periodic communication with the counterparty and has monitored the settlement of the consideration continuously.

Although the placing of deposits, listed available-for-sale investments and notes subscribed are concentrated on certain banks, the credit risk on these financial assets is limited because the counterparties are licensed banks. The Group has no other significant concentration of credit risk as at 31 December 2017 with exposure spread over a number of counterparties and customers.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2017, the Group has bank balances and cash of HK$5,769,590,000 (2016: HK$10,537,849,000) and available unutilised bank loan facilities of approximately HK$983,788,000 (2016: HK$687,442,000).

36. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, estimated based on interest rate at the end of the reporting period.

	Weighted average effective interest rate	Within 3 months	3 months to 6 months	6 months to 9 months	9 months to 12 months	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017								
Payables and deposits received	—	106,057	—	—	285	5,896	112,238	112,238
Bank borrowings	2.01	6,316,578	40,069	40,475	40,383	5,221,952	11,659,457	11,067,306
Guaranteed notes	4.50	35,160	—	35,160	—	1,636,403	1,706,723	1,553,287
		6,457,795	40,069	75,635	40,668	6,864,251	13,478,418	12,732,831
At 31 December 2016								
Payables and deposits received	—	106,996	1,855	762	2,917	25,610	138,140	138,140
Amounts due to non-controlling interests	—	87,754	—	—	—	—	87,754	87,754
Bank borrowings	2.09	2,130,659	32,945	32,693	56,442	2,381,354	4,634,093	4,290,654
		2,325,409	34,800	33,455	59,359	2,406,964	4,859,987	4,516,548

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank loans with a repayment on demand clause are included in the "within 3 months" time band in the above maturity analysis. As at 31 December 2017, the aggregate undiscounted principal amounts of the bank loans amounted to HK$4,560,835,000 (2016: HK$1,256,524,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

(c) Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities, carried at amortised cost, are determined in accordance with generally accepted pricing models which is based on discounted cash flows analysis using the relevant prevailing market rates as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments *(continued)*

The fair value of the listed available-for-sale investments of HK$3,983,554,000 (2016: HK$1,006,285,000) is determined by reference to the quoted bid prices in an active market. This valuation falls under Level 1 of the fair value hierarchy.

The following table gives information about how the fair values of the available-for-sale debt investments are determined (in particular, the valuation technique(s) and key input(s) used:

Financial assets	Fair value as at 31/12/2017	Fair value as at 31/12/2016	Fair value hierarchy	Valuation technique(s) and key input(s)
Unlisted available-for-sale debt investments as set out in note 24(c)	HK$503,000,000	HK$496,719,000	Level 2	A discounted cash flow analysis is adopted to estimate the fair value of the Note. A discounted cash flow analysis involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. 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 fair value of the Note is estimated by computing the sum of the present values of all expected future cash flows, each discounted by their prevailing market rates of interest for a similar instrument with a similar credit rating respectively. 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.

36. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments *(continued)*

Financial assets	Fair value as at 31/12/2017	Fair value as at 31/12/2016	Fair value hierarchy	Valuation technique(s) and key input(s)
Unlisted available-for-sale unit fund as set out in note 24	HK$6,251,000	—	Level 2	The fund is redeemable at its net assets value, net of handling fee and expenses. The net assets value of the fund is provided by the fund manager. The fair value is measured based on the net asset value divided by the total number of units in issue as stipulated in the relevant trust deed.

There were no transfer into or out of level 1, 2 and 3 for both years.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings note 32 HK$'000	Guaranteed notes note 33 HK$'000	Amounts due to non-controlling interest note 29 HK$'000	Dividends payable note 31 HK$'000	Total HK$'000
At 1 January 2017	4,290,654	—	87,754	2,261	4,380,669
Financing cash flows	6,650,149	1,541,787	—	(2,408,116)	5,783,820
Distribution in Specie (note 43)	(133,868)	—	(88,860)	—	(222,728)
Foreign exchange translation	254,746	7,147	1,106	—	262,999
Amortisation of bank borrowings front-end fee	5,625	—	—	—	5,625
Amortisation of guaranteed notes issued costs	—	4,353	—	—	4,353
Dividends declared	—	—	—	2,408,643	2,408,643
At 31 December 2017	11,067,306	1,553,287	—	2,788	12,623,381

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year are HK$11,433,000 (2016: HK$8,418,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	13,459	13,495
In the second to fifth years inclusive	5,318	18,661
	18,777	32,156

Leases are negotiated for the range of 1 to 2 years (2016: 1 to 2 years) with fixed monthly rentals.

In addition to the above, the Group has entered into a non-cancellable leasing commitment for a piece of land in the UK till the year 2152. The lease payment is equal to the higher of £500,000 per annum and 10% of the rental income received from the building on that land. There is no renewal or purchase options and escalation clauses. The minimum lease payment over the remaining lease term will be approximately £67 million. A lease payment of HK$7,876,000 was recognised for the year ended 31 December 2017.

The Group as lessor

The majority of the Group's investment properties were leased out under operating leases.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 HK$'000	2016 HK$'000
Within one year	210,107	206,912
In the second to fifth years inclusive	874,785	678,200
Over five years	2,817,500	889,336
	3,902,392	1,774,448

In addition to the annual minimum lease payments, the Group is entitled to, in respect of leases, in addition to committed rent, additional rental based on a specified percentage of revenue, if achieved, earned by the tenant. No such additional rental was received during the year and the prior year.

The lease terms of the remaining leased properties range from 1 to 22 years (2016: 1 to 23 years).

38. 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 and property, plant and equipment with an aggregate carrying value of HK$6,197,849,000 (2016: HK$3,066,398,000) 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 aggregate carrying values of HK$626,226,000 (2016: HK$646,244,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.

(c) Note receivables of HK$54,282,000 as at 31 December 2016, where the pledge was released during the year ended 31 December 2017.

(d) Pledged bank deposits of HK$1,533,852,000 (2016: HK$533,105,000).

(e) Listed debt securities of HK$3,983,554,000 (2016: HK$882,094,000).

39. SHARE-BASED PAYMENTS TRANSACTIONS

Share Option Scheme of the Company

The employee share option scheme adopted by the Company on 25 August 2005 (the "2005 SEA Share Option Scheme") and expired in August 2015. Upon expiry of the 2005 SEA Share Option Scheme, no further options should be granted thereunder and all outstanding options granted were fully exercised as at 31 December 2017.

The Company adopted a new share option scheme (the "2015 SEA Share Option Scheme") on 29 May 2015. Unless terminated earlier by the board of directors of the Company (the "Board"), the 2015 SEA Share Option Scheme shall be valid and effective for a term of 10 years until 28 May 2025. Under the 2015 SEA Share Option Scheme, the Board may offer to eligible participants options to subscribe for shares of the Company at a price at least the highest of (i) the nominal value of the share of the Company; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option.

39. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Share Option Scheme of the Company *(continued)*

Without prior approval of the shareholders of the Company in general meeting, no option may be granted to (a) an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted to such eligible participant (including both exercised and outstanding options) in any 12-month period, exceeding 1% of the shares of the Company then in issue; and (b) a substantial shareholder or an independent non-executive director of the Company or any of their respective associates which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period, exceeding 0.1% of the shares of the Company then in issue and with an aggregate value exceeding HK$5 million.

Options granted must be taken up within 28 days from the date of grant upon payment of HK$10. The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the Board at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

Details of the share options granted under the 2005 SEA Share Option Scheme and the 2015 SEA Share Option Scheme during the years ended 31 December 2016 and 2017 are as follows:

			Number of share options								
Date of grant	Exercisable period upon vesting	Exercise price per share HK$	At 1 January 2016	Transferred to (from) other category during year 2016	Exercised	Lapsed	Cancelled	At 31 December 2016	Exercised	Lapsed	At 31 December 2017
Granted to Directors											
12.07.2012	01.07.2014 to 30.06.2016	3.454	3,342,000	(446,000)[1]	(2,896,000)	–	–	–	–	–	–
12.07.2012	01.07.2015 to 30.06.2017	3.454	3,342,000	(446,000)[2]	(444,000)	–	–	2,452,000	(2,452,000)	–	–
			6,684,000	(892,000)	(3,340,000)	–	–	2,452,000	(2,452,000)	–	–
Granted to the employees											
12.07.2012	01.07.2015 to 30.06.2017	3.454	1,400,000	–	(1,400,000)	–	–	–	–	–	–
Granted to the Past Director											
12.07.2012	01.07.2014 to 30.06.2017	3.454	–	446,000[1]	(446,000)[1]	–	–	–	–	–	–
12.07.2012	01.07.2015 to 30.06.2018	3.454	–	446,000[2]	(446,000)[2]	–	–	–	–	–	–
			1,400,000	892,000	(2,292,000)	–	–	–	–	–	–
			8,084,000	–	(5,632,000)	–	–	2,452,000	(2,452,000)	–	–

39. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Share Option Scheme of the Company *(continued)*

Notes:

(1) The share options were exercised by a past director of the Company who retired on 30 May 2016, and his share options were transferred to other category on the same date and his share options were extended by the Board from 30 June 2016 to 30 June 2017.

(2) The share options were exercised by a past director of the Company who retired on 30 May 2016, and his share options were transferred to other category on the same date and his share options were extended by the Board from 30 June 2017 to 30 June 2018.

(3) No share options had been granted, lapsed or cancelled under the 2005 Share Option Scheme for the years ended 31 December 2016 and 2017.

			Number of share options							
Date of grant	Exercisable period upon vesting	Exercise price per share HK$	At 1 January 2016	Exercised	Lapsed	Cancelled	At 31 December 2016	Exercised	Lapsed	At 31 December 2017
Granted to the employees										
02.07.2015	03.07.2015 to 02.07.2017	6.302	150,000	(150,000)	–	–	–	–	–	–
02.07.2015	01.01.2016 to 31.12.2017	6.302	750,000	(675,000)	(75,000)	–	–	–	–	–
02.07.2015	01.07.2016 to 30.06.2018	6.302	2,600,000	(1,100,000)	–	(1,500,000)	–	–	–	–
02.07.2015	01.01.2017 to 31.12.2018	6.302	3,000,000	–	(350,000)	–	2,650,000	(2,650,000)	–	–
02.07.2015	01.07.2017 to 30.06.2019	6.302	3,250,000	–	(750,000)	–	2,500,000	(425,000)	(1,850,000)	225,000
02.07.2015	01.01.2018 to 31.12.2019	6.302	3,150,000	–	(600,000)	–	2,550,000	–	(500,000)	2,050,000
02.07.2015	01.07.2018 to 30.06.2020	6.302	7,400,000	–	(750,000)	–	6,650,000	–	(2,400,000)	4,250,000
			20,300,000	(1,925,000)	(2,525,000)	(1,500,000)	14,350,000	(3,075,000)	(4,750,000)	6,525,000
(2005 SEA Share Option Scheme and 2015 SEA Share Option Scheme)										
Total			28,384,000	(7,557,000)	(2,525,000)	(1,500,000)	16,802,000	(5,527,000)	(4,750,000)	6,525,000
Exercisable at year end			8,234,000				2,452,000			225,000

Under the 2015 Share Option Scheme, no share options had been granted during the years ended 31 December 2016 and 2017 and no share options had been cancelled for the year ended 31 December 2017.

Total consideration received by the Group for exercising the share options during the year amounted to HK$27,848,000 (2016: HK$31,584,000) and the weighted average share price at the dates of exercise was HK$14.37 (2016: HK$17.96).

On 2 July 2015, 21,650,000 share options under the 2015 SEA Share Option Scheme were granted to the employees of the Company and the closing price of the Company's shares immediately preceding the date of grant was HK$6.23. The estimated fair value of the share options granted to employees of the Company on that date was HK$21,499,000. The directors determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

39. SHARE-BASED PAYMENTS TRANSACTIONS *(continued)*

Share Option Scheme of the Company *(continued)*

The fair values were calculated using The Binominal Option Pricing model. The inputs into the model were as follows:

	Share Option Granted on	
	12 July 2012	2 July 2015
Share price as at grant date:	HK$3.340	HK$6.200
Exercise price:	HK$3.454	HK$6.302
Expected volatility:	24.68%-31.22%	21.58%-24.24%
Expected dividend yield:	3.29%	1.75%
Risk-free rate:	0.18%-0.33%	0.385%-1.188%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The variables and assumptions used in computing the fair value of the share options were based on director's best estimate. The value of option varied with different variables of certain subjective assumptions.

Share Award Scheme of the Company

The share award scheme of the Company (the "SEA Share Award Scheme") was approved by the shareholders of the Company on 27 May 2010 and came into effect on 15 June 2010. Unless terminated earlier by the Board, the SEA Share Award Scheme shall be valid and effective for a term of 15 years until 14 June 2025.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the SEA Share Award Scheme). Under the SEA Share Award Scheme, the Board (or any committee delegated by the Board) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and is listed on the Stock Exchange from time to time; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

The Company has appointed trustee to acquire the Company's shares from the open market with funds provided by the Company and to hold the shares before they are vested and transferred to the selected participants.

40. RETIREMENT BENEFIT PLANS

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs to the scheme for members of the MPF Scheme, depending on the length of service with the Group.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC.

The total contribution paid to the retirement benefit schemes by the Group charged to profit or loss for the year amounted to HK$5,112,000 (2016: HK$7,828,000). No forfeited contributions have been used to reduce the level of contributions in either year.

41. RELATED PARTY TRANSACTIONS

The remuneration of directors of the Company who are the Group's key management personnel is set out in note 15.

The remuneration of directors and key executives of the Company is determined/recommended to the Board for approval by the remuneration committee of the Company having regard to the performance of individuals and market trends.

42. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) 20 Moorgate, London, the United Kingdom

On 7 November 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire issued units in a trust that owns the property known as 20 Moorgate, London, EC2R 6DA for a total consideration of £154 million (the "Acquisition"). The Acquisition was financed by (i) a bank facility of £100.8 million secured by the property and (ii) bank facility of £57 million pledged by cash deposits.

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

(a) 20 Moorgate, London, the United Kingdom *(continued)*

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

	HK$'000
Investment properties	1,505,213
Other receivables and prepayments	1,030
Trade and other payables	(12,310)
Total consideration	1,493,933

(b) 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

(c) 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.

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

(c) 33 Old Broad Street, London, the United Kingdom *(continued)*

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

43. DISTRIBUTION IN SPECIE

As set out in note 17, 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	(77,082)
Tax liabilities	(5,484)
Amounts due to non-controlling interest	(88,860)
Bank borrowings	(133,868)
Deferred taxation	(341,673)
	3,848,076
Non-controlling interests	35,676
Net assets attributable to Company's shareholders and distributed by the Company through Distribution in Specie	3,883,752
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)

44. GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2016, the Group disposed of certain subsidiaries which owned the following properties/projects:

(a) Everbright Centre (formerly known as Dah Sing Financial Centre)

On 25 February 2016, the Group entered into a sale and purchase agreement, pursuant to which the Group agreed to sell the entire issued shares of SEA (BVI) Limited, which wholly owns the issued shares of Wing Siu Company Limited (the sole registered and beneficial owner of Dah Sing Financial Centre), to an independent third party at an aggregate consideration of HK$10,101 million in cash. The disposal was completed on 24 May 2016.

(b) Kaifeng Nova City

On 19 April 2016, the Group entered into a sale and purchase agreement, pursuant to which the Group agreed to sell the entire issued share of New Insight Holdings Limited, which wholly owns the issued shares of all investment companies (the beneficial owners of a property development project at Kaifeng Nova City, Henan Province, the PRC), to an independent third party at an aggregate consideration of HK$900 million in cash. The disposal was completed on 26 April 2016.

(c) Huangshan project

On 3 August 2016, the Group entered into a sale and purchase agreement with an independent third party to sell the entire issued share capital of Rich Motion Development Limited, which wholly owns the entire registered capital of the investment company of a property development project located at Huangshan, Anhui Province, the PRC for a consideration of HK$2 million in cash. The disposal was completed on the same date.

(d) Chengdu Nova City

On 22 August 2016, the Group entered into a sale and purchase agreement with an independent third party to sell the entire issued share capital of Healthy Time International Limited, which wholly owns the beneficial interest in the property development project located in Chengdu, Sichuan Province, the PRC for a consideration of HK$890 million in cash. The disposal was completed on 29 August 2016.

44. GAIN ON DISPOSAL OF SUBSIDIARIES *(continued)*

The major classes of assets and liabilities of the disposed subsidiaries at the respective date of each disposal were as follows:

	Dah Sing Financial Centre HK$'000	Kaifeng Nova City HK$'000	Huangshan project HK$'000	Chengdu Nova City HK$'000	Total HK$'000
Investment properties	8,983,000	—	—	—	8,983,000
Property for development	—	531,322	85,338	610,285	1,226,945
Property, plant and equipment	213,165	2,129	210	445	215,949
Properties held for sale					
Completed properties	—	419,107	—	—	419,107
Properties under development	—	148,832	—	86,879	235,711
Trade receivables, deposits and prepayments	18,719	2,360	175	661	21,915
Tax (liabilities) recoverable	(4,130)	3,449	—	12	(669)
Bank balances and cash	44,229	118,580	191	124,746	287,746
Payables, deposits and accrued charges	(86,256)	(52,754)	(61,552)	(72,458)	(273,020)
Sales deposits	—	(17,671)	—	—	(17,671)
Bank borrowings	—	(159,078)	—	—	(159,078)
Deferred tax liabilities	(26,218)	—	—	—	(26,218)
Net assets disposed of	9,142,509	996,276	24,362	750,570	10,913,717
Gain (loss) on disposal of subsidiaries:					
Cash consideration	10,100,710	900,000	2,000	890,000	11,892,710
Add: Realisation of translation reserve upon disposal	—	6,654	759	(9,261)	(1,848)
Less: Transaction costs incurred	(150,250)	(903)	(10,677)	(3,059)	(164,889)
Less: Write off of unamortised front-end fee	(10,566)	—	—	—	(10,566)
Less: Net assets disposed of	(9,142,509)	(996,276)	(24,362)	(750,570)	(10,913,717)
Gain (loss) on disposal of subsidiaries	797,385	(90,525)	(32,280)	127,110	801,690
Cash consideration	10,100,710	900,000	2,000	890,000	11,892,710
Less: Cash consideration receivable	—	—	—	(445,000)	(445,000)
Less: Cash and cash equivalents disposed of	(44,229)	(118,580)	(191)	(124,746)	(287,746)
Less: Transaction costs paid	(150,250)	(903)	(10,677)	(3,059)	(164,889)
Net cash inflow (outflow) arising on disposal	9,906,231	780,517	(8,868)	317,195	10,995,075

The cash consideration receivable, including in trade receivables, deposits and prepayment as set out in note 28 was derecognised upon the Distribution in Specie (note 43).

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current asset		
Interests in subsidiaries	11,075,856	6,198,505
Current assets		
Receivables and deposits	185	158
Bank balances	164,863	90,069
	165,048	90,227
Current liabilities		
Payables and accrued charges	5,849	2,591
Amounts due to subsidiaries	575,523	65,490
Unsecured bank borrowings	1,710,000	720,000
	2,291,372	788,081
Net current liabilities	(2,126,324)	(697,854)
Net assets	8,949,532	5,500,651
Capital and reserves		
Share capital	67,376	67,656
Reserves	8,882,156	5,432,995
	8,949,532	5,500,651

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's capital and reserves

	Attributable to the Company's shareholders						
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2016	67,765	270,302	190,081	4,451	10,722	1,009,262	1,552,583
Profit and total comprehensive income for the year	–	–	–	–	–	5,506,207	5,506,207
Recognition of equity-settled share-based payments – share options	–	–	–	–	5,462	–	5,462
Shares issued upon exercise of share options	765	36,370	–	–	(5,142)	–	31,993
Repurchase of ordinary shares	(874)	(165,062)	–	–	–	–	(165,936)
Dividends paid	–	–	–	–	–	(1,429,658)	(1,429,658)
At 31 December 2016	67,656	141,610	190,081	4,451	11,042	5,085,811	5,500,651
Profit and total comprehensive income for the year	–	–	–	–	–	9,475,395	9,475,395
Recognition of equity-settled share-based payments – share options	–	–	–	–	2,525	–	2,525
Lapse of vested share options	–	–	–	–	(2,991)	–	(2,991)
Shares issued upon exercise of share options	553	31,724	–	–	(4,429)	–	27,848
Repurchase of ordinary shares	(833)	(77,150)	–	–	–	–	(77,983)
Dividends paid	–	–	–	–	–	(2,092,161)	(2,092,161)
Special non-cash dividend by way of Distribution in Specie	–	–	–	–	–	(3,883,752)	(3,883,752)
At 31 December 2017	67,376	96,184	190,081	4,451	6,147	8,585,293	8,949,532

46. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group has issued guaranteed notes with 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 from, and including 19 January 2018 at the rate of 4.875% per annum, until 19 January 2023, payable semi-annually in arrears on 19 January and 19 July each year.

47. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company		Principal activities
			2017	2016	
Direct subsidiaries					
New Rose Investments Limited	British Virgin Islands ("B.V.I.")/ Hong Kong	US$1	100	100	Bond issuance
SEABO Pacific Limited	Bermuda/ PRC	HK$767,919	100	100	Investment holding
South-East Asia Investment And Agency Company, Limited	Hong Kong	HK$10,000,000	100	100	Provision of corporate and property management services
Indirect subsidiaries					
AGP (Diamond Hill) Limited	Hong Kong	HK$2	100	97	Property development
Asian Growth Properties Limited#	Bermuda/ Hong Kong	US$44,317,390.60	–	97	In liquidation
Chengdu Huashang House Development Co.,Ltd* 成都華商房屋開發有限公司	PRC	RMB200,000,000 registered capital	–	97	Property investment
Concord Way LimitedΔ	Hong Kong	HK$100	100	97	Hotel operation
Giant Well Enterprises Limited	B.V.I./ Hong Kong	US$1	100	97	Investment holding
Grace Art Development Limited	Hong Kong	HK$1	100	97	Treasury services
Guangzhou Yingfat House Property Development Co., Ltd. * 廣州市盈發房產發展有限公司	PRC	US$20,110,000 registered capital	–	97	Property development and investment
Harvest Hill Limited	Hong Kong	HK$2	–	97	Financing
Kingston Pacific Investment Limited	B.V.I./ Hong Kong	US$100	55	53	Property development
Leighton Road Hotel Management Services Limited	Hong Kong	HK$1	100	97	Hotel operation

47. PRINCIPAL SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company 2017	2016	Principal activities
Indirect subsidiaries (continued)					
Nanjing Hushu Ecology Travel Development Co., Ltd.[@] 南京湖熟生態旅遊發展有限公司 ("NJ Hushu")	PRC	RMB100,000,000 registered capital	–	50	Property, cultural and tourism development
Luck Marker Limited	B.V.I./ Hong Kong	US$1	100	97	Financial investment
Nanjing Taligang Tourist Leisure Facilities Company Limited[@] 南京搭里崗旅遊開發有限公司 ("NJ Taligang")	PRC	RMB35,000,000 registered capital	–	50	Property, cultural and tourism development
Pearl Hope Limited	B.V.I.	US$1	100	100	Investment holding
Rainbow Mark Investment Limited	B.V.I./ Hong Kong	US$1	100	97	Financial investment
SEA Island Holdings Pty. Limited	Australia	A$320,000 paid up share capital	100	100	Property investment
Shine Concord Investments Limited[Δ]	Hong Kong	HK$1	–	97	Hotel operation
Sino Harvest Real Estate Development (Chengdu) Company Limited* 漢泰房地產開發(成都)有限公司	PRC	US$3,000,000 registered capital	–	97	Property investment
Sky Trend Investments Limited[Δ]	Hong Kong	HK$2	–	97	Hotel operation
Sunfold Development Limited[Δ]	Hong Kong	HK$1	–	97	Hotel operation
Top Paragon Investments Limited	B.V.I.	US$1	100	100	Property investment

47. PRINCIPAL SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company		Principal activities
			2017	2016	
Indirect subsidiaries (continued)					
Treasure Indicator Limited	B.V.I./ Hong Kong	US$1	100	97	Financial investment
Tycoon Honour Limited	B.V.I./ Hong Kong	US$1	100	97	Investment holding of The Moorgate Unit Trust Units
Worthy Merit Limited	B.V.I./ Hong Kong	US$1	100	97	Investment holding of The Moorgate Unit Trust Units

\# Changed its country of domicile from the British Virgin Islands to Bermuda with effect from 5 December 2016.

* Wholly foreign owned enterprises.

Δ Amalgamated with Concord Way Limited, Shine Concord Investments Limited, Sky Trend Investments Limited and Sunfold Development Limited and continued as one company under the name of Concord Way Limited on 1 April 2017.

@ Sino-foreign equity joint venture.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities except for New Rose Investments Limited which has issued guaranteed notes as set out in note 33 at the end of the year.

Subsidiaries with material non-controlling interest

Except for the non-controlling interest in Asian Growth Properties Limited, a former subsidiary listed on the AIM Market of The London Stock Exchange plc. and a 97.17% owned subsidiary of the Company prior to the Restructuring, whose results announcement was published on 17 March 2017, no other non-controlling interest is considered material.

Glossary

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

"AGM(s)"	the annual general meeting(s) of the Company;
"AGP"	Asian Growth Properties Limited, a company registered in Bermuda with limited liability and a 97.17%-owned subsidiary of the Company prior to the Restructuring;
"AGP Group"	AGP and its subsidiaries;
"Assets Redistribution"	the re-distribution of the AGP's non-PRC assets from AGP to SEA by way of sale and purchase;
"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;
"Distribution in Specie"	the distribution of a special dividend by SEA in the form of distribution in specie of 861,278,857 AGP shares held by the Company to the qualifying SEA Shareholders in proportion to their then respective shareholding in the Company, which was completed on 15 May 2017;
"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;
"HKEX"	Hong Kong Exchanges and Clearing Limited;
"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);

Glossary

"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;
"London Stock Exchange"	The London Stock Exchange plc.;
"Managing Director"	the managing Director;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"NAV"	net asset value;
"NLI"	Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;
"Nomination Committee"	the nomination committee of the Company;
"Non-executive Director(s)"	the non-executive Director(s);
"NYH"	NYH Limited, an exempted company incorporated in Bermuda with limited liability;
"PRC" or "Mainland China"	The People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"Restructuring"	the corporate restructuring of SEA and AGP which involved, among other things, the Assets Redistribution, the Distribution in Specie and the share exchange offer made by NLI, and all matters respectively relating thereto;
"SEA Share Award Scheme"	the share award scheme of the Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM(s)"	the special general meeting(s) of the Company;
"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;
"2005 Share Option Scheme"	the share option scheme adopted by the Company on 25 August 2005; and
"2015 Share Option Scheme"	the share option scheme adopted by the Company on 29 May 2015.

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