Road King Infrastructure Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 1098)

ANNUAL REPORT 2018

Corporate Profile

Road King Infrastructure Limited

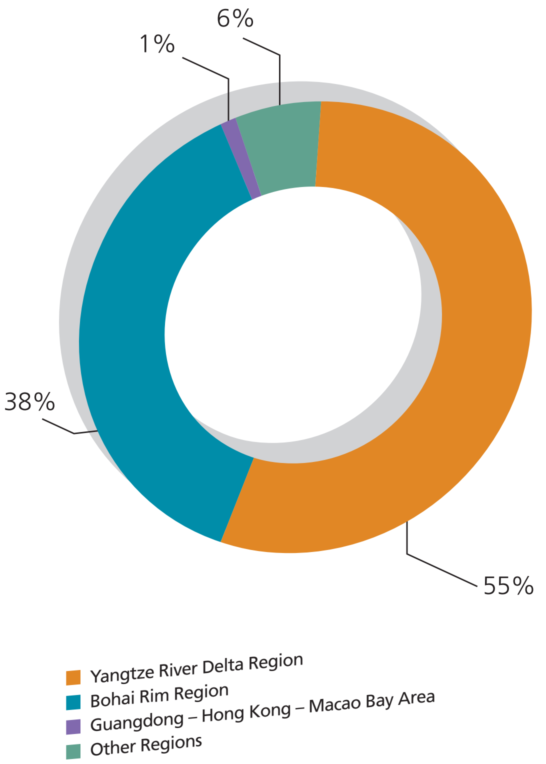
Road King Infrastructure Limited is a prominent property developer in Mainland China and Hong Kong focusing on developing quality residential apartments and also a leading toll road investor and operator in Mainland China with over 20 years of experience in the industry. The existing real estate portfolio is mainly located in the Yangtze River Delta, Bohai Rim regions and Greater Bay Area, comprising a land reserve of about 8 million square meters. The current toll road portfolio consists of five expressways spanning 340 km in Mainland China.

Contents

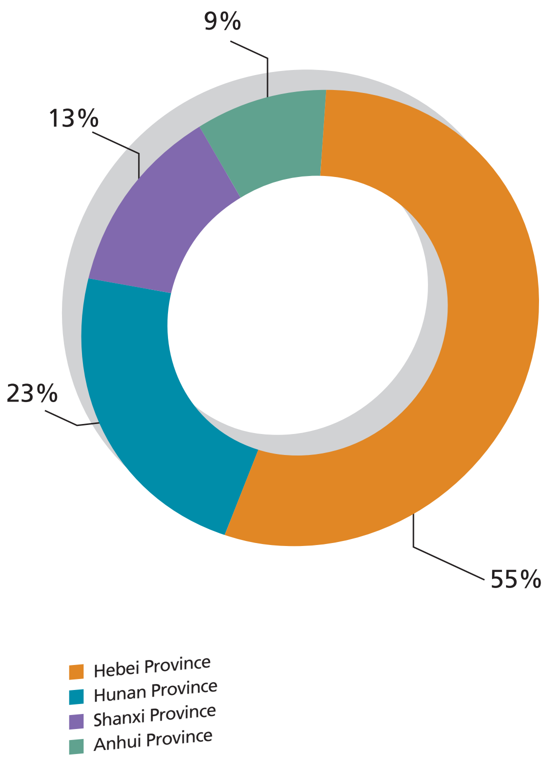
Financial Highlights

(HK$'million)	**2018**	2017	2016	2015	2014
	For the year ended 31 December				
Revenue of the Group	**22,365**	14,756	16,842	12,510	12,730
Group's share of revenue of joint ventures	**4,624**	1,504	1,238	1,090	968
Revenue of the Group and Group's share of revenue of joint ventures	**26,989**	16,260	18,080	13,600	13,698
Cash received from toll road projects (including the repayment of shareholders' loans)	**827**	713	580	530	515
Profit for the year	**3,699**	2,476	1,374	828	1,029
Profit attributable to owners of the Company	**2,988**	1,944	1,250	820	1,005
Equity attributable to owners of the Company	**17,398**	15,635	13,292	13,155	13,208
Total assets	**78,952**	69,735	50,400	40,056	42,484
Bank balances and cash	**11,793**	8,552	8,049	3,072	3,724
Dividend per share (HK$)	**1.18**	0.93	0.68	0.48	0.58
Basic earnings per share (HK$)	**3.99**	2.61	1.69	1.11	1.37
Net assets per share attributable to owners of the Company (HK$)	**23.22**	20.90	17.96	17.78	18.10
Gross profit ratio (%)	**45**	40	25	23	26
Net gearing ratio (%)	**35**	54	66	73	74

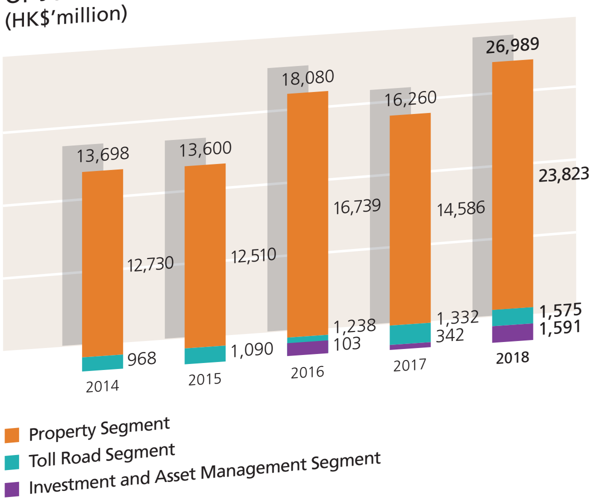
REVENUE CONTRIBUTION OF PROPERTY PROJECTS IN 2018 BY LOCATION



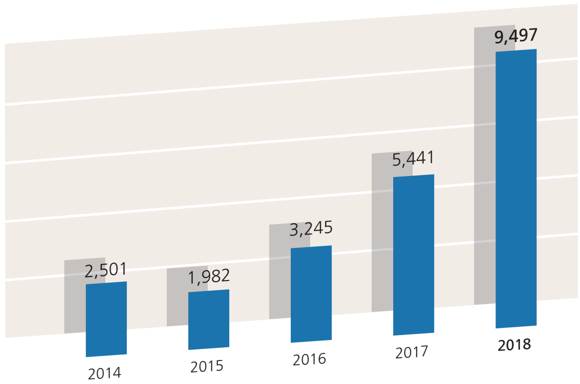
REVENUE CONTRIBUTION OF EXPRESSWAY PROJECTS IN 2018 BY LOCATION



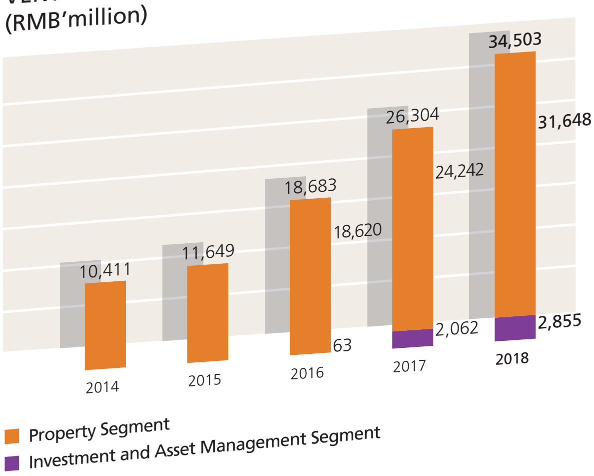
REVENUE (INCLUDING SHARE OF REVENUE OF JOINT VENTURES)
(HK$'million)



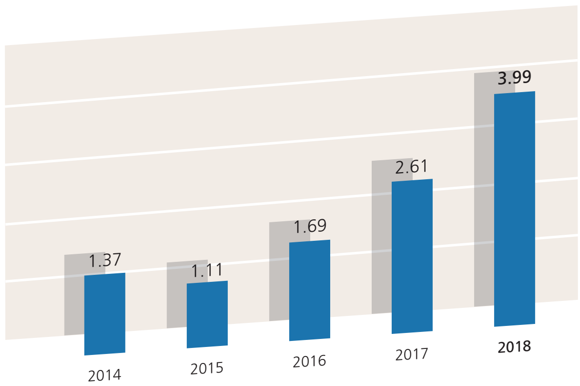
PROFIT BEFORE TAXATION
(HK$'million)



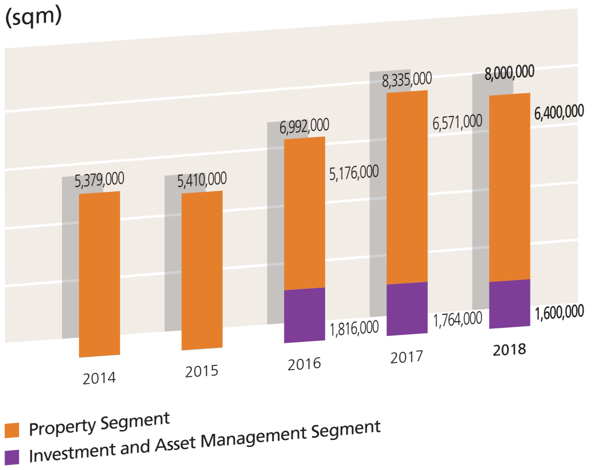
PROPERTY SALES (INCLUDING JOINT VENTURE PROJECTS)
(RMB'million)



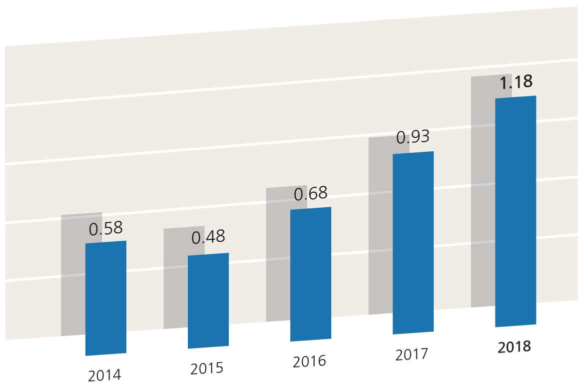
EARNINGS PER SHARE
(HK$)



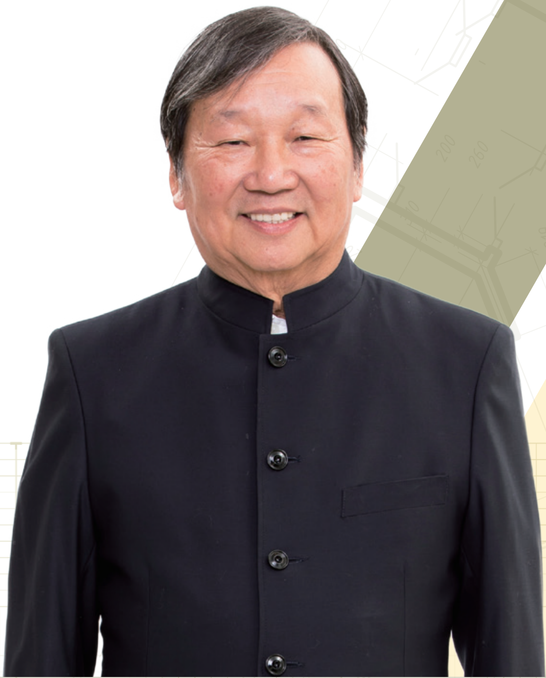
LAND RESERVE (INCLUDING JOINT VENTURE PROJECTS)
(sqm)



DIVIDEND PER SHARE
(HK$)



Zen Wei Peu, Derek
Co-Chairman



Zen Wei Pao, William
Co-Chairman

CHAIRMAN'S STATEMENT

The Group's equity attributable to owners of the Company as at 31 December 2018 increased by HK$1,763 million whilst the equity per share increased by 11% to HK$23.22 per share. We both believe the best measure of the progress of any company is reflected in the compound average growth of shareholders' equity of the Company over a long period, taking into consideration of dividend paid and new share issued (if any). Since we reorganized and introduced co-chairmanship, the cumulative increase in the shareholders' equity per share (on the basis that the dividends declared during the period are considered as part of the shareholders' equity) is 39%, or an average of approximately 20% per year.

Our contracted sales (including joint venture projects) in 2018 was RMB34,503 million, turnover was HK$22,365 million and the net profit attributable to the owners of the Company was about HK$2,988 million (2017: HK$1,944 million), representing an increase of about 54% over 2017.

The Board recommended a final dividend of HK$0.88 per share. Together with an interim dividend of HK$0.30 per share, the total dividend is HK$1.18 per share (2017: HK$0.93 per share).

With the contracted sales on hand, as well as those under development, barring any unforeseen circumstances, we are confident Road King will again break the records on the performances in 2019. We set our sales target this year at around RMB40 billion, hopefully we not only achieve but can beat this ambitious target. We look forward to handing you a good report next year.

BUSINESS ANALYSIS

We breakdown our business into the following three major segments:

1) Property Development Business

This year was a particularly difficult year for all property development companies, with various austerity control measures introduced in 2017 not relaxed, but intensified under the slogan 'house is for living, not for speculating（房住不炒）'. Various measures such as 'restriction on selling price（限價）', 'restriction on purchase（限購）', 'restriction on home loan mortgage（限貸）', or sometimes even 'restriction on sale'（限賣）have been promulgated. As a result, a lot of property developers encountered a series of cashflow and debt repayment problems, as the cashflow from sales either slowed down, if not stopped entirely. For those with high gearing, 2018 as well as 2019, likely will be the peak of the debt repayment period, the overall result as we observe, for smaller developers, in particular those focusing developments in 3rd or 4th tier cities with general drop in property price, many of them went into liquidation or were bought outright by others; and for larger developers, they had to lower the selling price to survive. Hence there was a further consolidation of players in the market.

This was reflected in the fact that although the total housing units sold in Mainland China in 2018 was circa RMB15 trillion, yet the sales of the top thirty developers now constituted around 50% of the market share and was still growing! As we mentioned last time, the banks in Mainland China prefer to lend money only to those 'big developers', naturally bigger developers were more adaptable to changes and in their advantages to bid new land parcels. As a result, we saw bigger players getting bigger, and smaller players being further marginalized and eventually disappeared from the scene. We predicted last year that within 10 years, there would only be 50-100 developers remained in Mainland China. By now we are even more certain that this will be the case in 2028.

The growth rate of leading developers in Mainland China is stunning, somehow some companies can manage to keep a 60% to 70% growth rate for quite a period, and some of them even can increase their sales over 100% for a few years! This no doubt was spurred by the high gearing policy they all adopted, as a result the 'norm' in Mainland China is as long as your total debt is within 80% of your total asset, you are classified as 'not overly leveraged', which actually means (if you read carefully), with, for example, RMB10 billion equity, you borrow RMB40 billion! This is why we see the leading developers have debts up to RMB600 billion or as one market source said one of them has debts over RMB1,000 billion.

This is the battlefield Road King is in, naturally we can never dream to be in top 10 (turnover is in hundreds of billion), yet neither do we wish to drop out of the top 100, pending to be eliminated from the market after 9 years. One thing we would not choose to do (or not permitted by our banks and creditors) is to adopt gearing as compared to the 'norm' in Mainland China. Another difficulty is our main objective is to increase our growth in equity per share, as such, how to maintain our presence or even ensure steady growth becomes a serious challenge. However, in this industry, developers, whether big or small, are coming back to the basics, i.e. competing on product, service, efficiency, cost control, brand and integrity/trust, we have confidence that we will win the battle, and ending up as one of the winners in the war.

Coming back to Hong Kong, our three projects in Hong Kong are going on well. For the Yuen Long project, we have started the superstructure construction, which is expected to be completed before end of 2020, as we intend to launch the pre-sale in the third quarter this year.

The residential development atop Wong Chuk Hang MTRC Station is also coming along quite well. We have awarded the main contract, and the construction of superstructure is going to start in late February 2019 and should be completed before end of 2021.

We met some delay in our So Kwun Wat project in Tuen Mun due to the complicated submission/approval procedure for the tree felling permit. We are in the process of tendering and awarding the foundation contract, however the amount of rock to be excavated is huge, the construction time taken might be a bit longer when compared with other projects. We expect the property delivery will be taken place not later than 2022.

The recent adjustment in Hong Kong market is not a great worry to us. We obtained Yuen Long project at a quite reasonable price. For Wong Chuk Hang project, as it is right on top of MTR station and located in Hong Kong Island, so the sales would never be a problem. No doubt Hong Kong property price is too expensive, which is a reason why the HKSAR Government initiates the "Lantau Tomorrow" to provide more new land for future development of Hong Kong. Meanwhile, the amount of savings in Hong Kong is staggering (latest number of deposits in the banks is HK$14 trillion!), and coupled with the buyers from Mainland China and elsewhere, we simply see no likelihood of a major drop in property price in the next 3 to 5 years.

We hope we will be in a better position to tell you about our results on our first ever sale in Hong Kong around this time next year.

2) Toll Road Business

In 2018, the toll revenue from our five expressways was RMB3,079 million, which is 16% higher than last year, whilst our portion of toll road projects' profit was HK$632 million (net of income tax and withholding tax), which is 25% higher than last year. Part of the growth was mainly attributable to the steady growth of our three expressways i.e. Baojin Expressway and Tangjin Expressway in Hebei Province, as well as Longcheng Expressway in Shanxi Province. We are again confident in the contribution from Toll Road business in 2019.

CVC Capital Partners ("CVC"), a leading global private equity firm with an outstanding regional network, invested Road King Toll Road business and became a 25% shareholder in 2018. This partnership will help us further our expansion opportunities in Southeast Asia region as well as Mainland China, and we are currently exploring a few promising leads.

Longer term development must be linked to the 'One Belt One Road' initiatives. We are actively seeking local partnerships in Southeast Asia, building toll road projects pipeline for further growth and potential spin-off and listing of toll road business at the appropriate time.

3) New Business – Investment and Asset Management Business

Property Fund Business

It has been a challenging year for property fund in 2018. Since the beginning of 2018, the Mainland China government had promulgated series of tightening policies, including prohibition of financing land purchase and suspension of entrusted loan to the property developers. The regulatory departments also enhanced the fulfillment of "four licenses, at least 30% of equity ratio and secondary qualification" requirements before any financing can be released to the property development. As a result, our property fund sector is forced to adjust our business model and focus, in order to meet the new requirements. The reduction of leverage and the reduction of off-balance sheet businesses of financial institution, causing a downsize in market capital and increase in financing costs by more than 4% p.a. over the year, making it very difficult for the property fund to expand its business in 2018. We had invested only four new projects and exited three old projects in 2018, the total asset size of the fund maintained at about RMB10 billion. After a period of adjustments, we believe the financial institutions has adapted to the new regulations, and we also expect a loosen capital market in 2019, therefore, we expected a growth in total fund size of about RMB5 billion as compared to 2018.

Entertainment & Content Development Business

With the completion of the acquisition of Holovis, we commenced our "Transformation of Experience" business in Mainland China in 2018, providing our creative services and our products to the major amusement park operators as well as the major property developers. We also established our cooperation with different IP owners. With the world-class technology and talents that we possess, in 2019, we are committing to strengthen our "Transformation of Experience" team which enables us to create original content and highly differentiated products for our corporate customers, which we consider as our core competitiveness. Our European office opened in the heart of central London in 2018. We will be debuting our Chinese headquarter in Shanghai in 2019.

Cultural, Tourist & Commercial Business

We commenced the construction of the Meili Ancient Town in Wuxi in 2018, and we are expecting a soft opening in October 2019. For other potential projects, namely Zhengzhou Xinmi Xi Wang Ancient Town, Chengde Rehe Town, the planning and design had been approved by the local government, and land reclamation is almost finished. We expected the construction will be commenced by late 2019. According to our plan, there will be three projects in operation and four projects under construction by the end of 2020, providing sustainable land supply and return to Road King.

OUTLOOK

Despite the 'non-market' control policies promulgated in Mainland China, we believe in going forward, at least in the next 10 to 15 years, property development is still a good business to be in. There is perhaps still 10% of the population in Mainland China is on the move from rural areas to big cities, which translate to 140 million new residents, not to mention as the standard of living is on the rise and people need better living conditions, in there we see the potential is still huge. Only that buyers now are paying a lot more attention to "value for money", the day that one can sell one's developed property in a few days, no matter how poorly built, is gone forever.

Naturally with the top 30 developers already constitute 50% of the market, mathematically their overall future growth will inevitably slow down, which is why most companies seek diversification into flat rental business, commercial property, tourism and cultural related business, health care, elder care and property fund which in one way or the other related to property development, with various degrees of success (or failure), but it is too soon to say who has made the 'right' decision, only time will tell.

Our overall plan in Mainland China is, if we can increase our contracted sales from now on say at 20%-25% per year, then theoretically we should reach the RMB100 billion turnover mark latest in 2024, of course we hope we can achieve this much sooner. If we do reach RMB100 billion, we should then be safe.

Naturally we also intend to keep on investing in Hong Kong and as mentioned last time, into Southeast Asian countries, whether in infrastructure or property development businesses. We believe in the next 10 to 20 years, Southeast Asian region will be a replica of Mainland China from 90's to the present, so we do hope we can catch this wave. No doubt we realize it will be more difficult for us as we will be facing different culture and language barrier than when operating in Mainland China.

This year, we are able to reach ROE of 19% which is a record high for Road King. If we do can maintain this or even do better in the coming years, then we should be in a much better position to grow faster yet at a safe gearing level. We do wish if we can increase our equity at a reasonable range per year, even after handing out dividend to our shareholders. This is an ideal situation, but unlikely to be achieved, we will certainly try.

On behalf of the board, we would like to express our gratitude to all customers, business partners, shareholders and our dedicated staff.

Zen Wei Peu, Derek
Co-Chairman

Zen Wei Pao, William
Co-Chairman

Hong Kong, 19 March 2019

Chief Executive Officer's Report

Ko Yuk Bing
Chief Executive Officer

Dear Shareholders,

RESULTS FOR 2018

For the year ended 31 December 2018, property sales and toll revenue of the Group (including joint venture projects) were RMB34,503 million and RMB3,079 million respectively, representing an increase of 31% and 16% as compared with those of 2017. The profit after tax for 2018 was HK$3,699 million, representing an increase of 49% as compared with that of 2017, with earnings per share of HK$3.99 and net assets per share of HK$23.22.

BUSINESS OVERVIEW

In 2018, the property market in Mainland China fluctuated significantly as the government continued to deepen and widen its austerity measures. By closely following the market trend and adhering to the business principle of ensuring a balance between profitability and sales volume, the operation team of the Group concerted their efforts and drove property sales of the year (including joint venture projects) to a record high of RMB34,503 million. The Group's turnover increased significantly by more than 50% when compared with that of 2017, with a gross profit margin of 45%.

In the second half of 2018, the land market in Mainland China cooled down significantly after the government stepped up the austerity measures. The Group seized the opportunities and further acquired four land parcels in the second half of the year, totaling nine land parcels with a gross floor area of 1,040,000 sqm for the year, for optimising and replenishing the land reserve of the Group. The three development projects in Hong Kong were operating smoothly, and the pre-sale of the project in Yuen Long would be launched this year. As at 31 December 2018, the Group's land reserve in Mainland China and Hong Kong were 7,880,000 sqm and 120,000 sqm respectively. Total land reserve was 8,000,000 sqm and the total area of properties pre-sold but yet to be delivered was 1,930,000 sqm.

The total traffic volume and toll revenue of the Group's expressway projects were 94 million vehicles and RMB3,079 million respectively in 2018, representing an increase of approximately 11% and 16% as compared with those of 2017. Benefited from the economic growth arising from transformation and upgrade in the real economy of Beijing-Tianjin-Hebei Region and the three provinces of Northeast China, the traffic volume and toll revenue of the Baojin Expressway and Tangjin Expressway in Hebei Province recorded a double-digit growth. Besides, the operation of Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province became more matured, and the total toll revenue of these two expressways increased by 26% as compared with that of 2017.

In the second half of 2018, CVC acquired 25% equity interest of expressway business at a consideration of HK$2 billion by way of capital contribution, thus adding new momentum to the development of the Group's expressway business.

The Group will continue to identify new opportunities and profit growth drivers under controllable risks through new models for the property business, including property funds and property related businesses.

FINANCE AND FUNDING

In 2018, the government of Mainland China continued to suppress funds towards the property market, thereby tightening the funding for property developers and increasing the financing costs. During the year, the Group drew down various offshore bank loans and property development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK$5,161 million. At the beginning of 2019, the Group seized the opportunities of offshore bonds issuance by issuing two guaranteed senior notes of 7.75% and 7.875% per annum respectively, with an aggregate principal amount of US$800 million.

WORK PLAN FOR 2019

Through years of development, the Group's current business has a well-established model, a well-functioned management system, a seasoned and dedicated operation team and a sound market position. In 2019, the Group will continue its pragmatic approach and adhere to the business strategy of striking a balance between profitability and sales volume. To establish the Group as a more widely recognised enterprise, it will continue to research and develop market-oriented products to boost the sales volume, maintain the growth trend of profit and promote the brand name of the Group. The Group will also continue to explore business related opportunities, strive to increase toll road assets, optimise the land reserve portfolio and seek for more collaboration opportunities with business partners for further development.

ACKNOWLEDGEMENT

I hereby express my gratitude to all of our colleagues for their commitment and contribution, and my thanks to our customers, business partners, shareholders and the Board for their continued support and trust.

Ko Yuk Bing
Chief Executive Officer

Hong Kong, 19 March 2019

Major Awards

ROAD KING INFRASTRUCTURE LIMITED

2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths

RK PROPERTIES HOLDINGS LIMITED

2018 Best 10 of China Foreign Real Estate Developers

2018 Best 10 of Efficiency of China Real Estate Developers

2018 Best 30 of China Real Estate Developers Brand Value

2018 Top 30 of China Real Estate with Strongest Comprehensive Strengths

2018 Real Estate Brand Developers

2018 Influential China Real Estate Developers

RK PROPERTY SERVICE HOLDINGS LIMITED

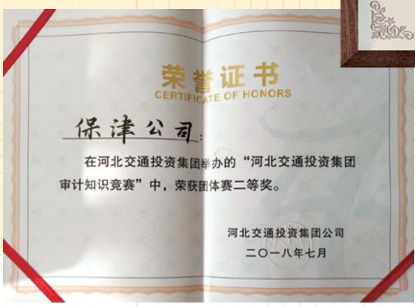
2018 Best 30 of China Property Management Enterprises with Strongest Comprehensive Strengths

PROPERTY BUSINESS

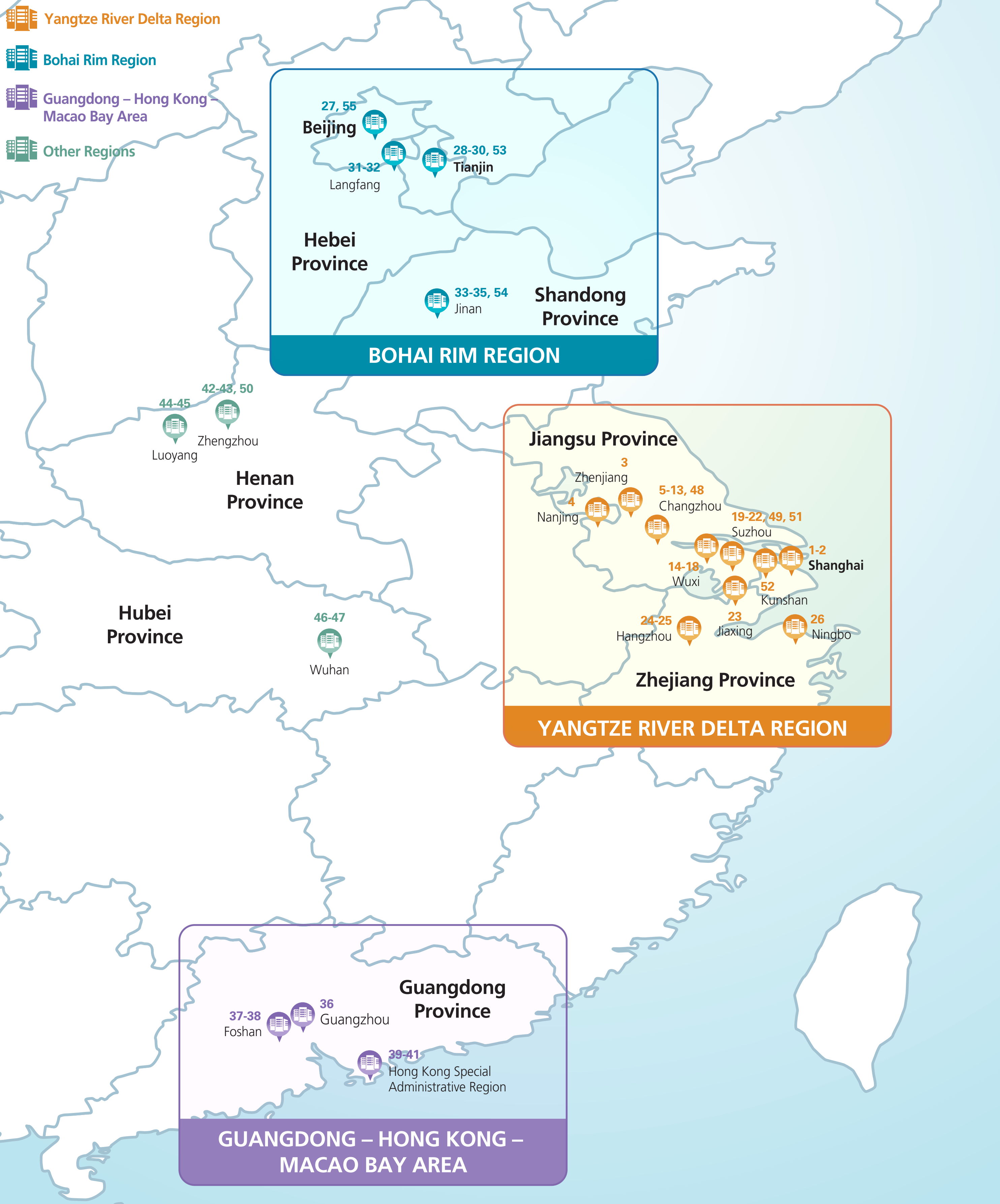
Changzhou	2018 Outstanding Contribution Award
Suzhou	2018 13th Kinpan Awards of Best Residence in Jiangsu Region and China – RK Yanjiang Riverside
Guangzhou	2018 Benchmark Property Project in Guangzhou – RK Mont Panorama
Shanghai	2017 – 2018 China Real Estate Design Award • Merit Award – RK Sheshan Villa • Dongyuan (Xiaokunshan)
Beijing	2017 – 2018 Golden Award of "Chang Cheng" Cup of Structural Construction – RK World City
Tianjin	2017 Demonstration Site for Civilised Construction of Tianjin – RK Sunny Town
Wuxi	2017 Outstanding on Provincial Level of Demonstration Property Management Project – RK The Providence

TOLL ROAD BUSINESS

Tangjin Expressway	2018 Outstanding Entity in National Transportation Services and Culture Building
Baojin Expressway	2018 Second Award for Audit Knowledge Competition of Hebei Transportation Investment Group
Changyi Expressway	2017 Outstanding Entity in National Transportation Culture Building



PROPERTY PROJECTS



LAND RESERVE

As at 31 December 2018

	Gross Floor Area	
Region	**sqm**	**Proportion**
Shanghai	223,000	3%
Jiangsu Province	3,449,000	43%
Zhejiang Province	450,000	6%
Yangtze River Delta Region	**4,122,000**	**52%**
Beijing	67,000	1%
Tianjin	751,000	9%
Hebei Province	467,000	6%
Shandong Province	437,000	5%
Bohai Rim Region	**1,722,000**	**21%**
Guangdong Province	356,000	4%
Hong Kong Special Administrative Region	118,000	2%
Guangdong – Hong Kong – Macao Bay Area	**474,000**	**6%**
Henan Province	1,413,000	18%
Hubei Province	269,000	3%
Other Regions	**1,682,000**	**21%**
Total	**8,000,000**	**100%**
Of which		
Properties for Sale	7,807,000	98%
Investment Properties	193,000	2%

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

Yangtze River Delta Region

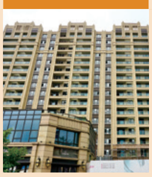
1	RK Shanghai Style Phase III						
Floor Area (sqm)	29,000	Nature	Residential	Stage of Completion (note)	P/C	Land Area (sqm)	42,000
Approximate attributable interest	75%	Target completion	2020	Location	East of Yutang Road and South of Changji Road, Anting Town, Jiading District, Shanghai, the PRC		

2	RK Sheshan Villa • Dongyuan						
Floor area (sqm)	194,000	Nature	Residential and commercial	Stage of completion (note)	P/C	Land area (sqm)	122,000
Approximate attributable interest	60%	Target completion	2021	Location	East to Kungang Highway, West to Hexi Street, South to Mianzhanggang River and North to Wennan Road, Xiaokunshan Town, Songjiang District, Shanghai, the PRC		

3	RK City (Zhenjiang)						
Floor area (sqm)	362,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	257,000
Approximate attributable interest	100%	Target completion	2023	Location	South of Yihou Road and West of Yandun Shan Road, Dagang Town, Zhenjiang, Jiangsu Province, the PRC		

4	Yuhuatai District Project						
Floor area (sqm)	100,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	34,000
Approximate attributable interest	25%	Target completion	2020	Location	Saihongqiao Street, Nanxiying Village, Yuhuatai District, Nanjing, Jiangsu Province, the PRC		

5	RK City (Changzhou)						
Floor area (sqm)	239,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	280,000
Approximate attributable interest	100%	Target completion	2019	Location	East of Huoju Bei Road and North of Guangdian Xi Road, Gaoxin Zone, Hutang Town, Wujin District, Changzhou, Jiangsu Province, the PRC		



6	RK City Landmark						
Floor area (sqm)	217,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	89,000
Approximate attributable interest	100%	Target completion	2020	Location	North of Qingtan Xi Road and West of Chechang Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

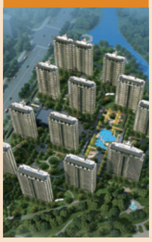
Properties for Sale

As at 31 December 2018

Yangtze River Delta Region

7	RK City Signature							
	Floor area (sqm)	99,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	110,000
	Approximate attributable interest	100%	Target completion	2019	Location	East of Longjiang Road, North of Zijing Xi Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		

8	RK Taihu Lake Yard							
	Floor area (sqm)	192,000	Nature	Residential	Stage of completion (note)	P/F/S	Land area (sqm)	208,000
	Approximate attributable interest	90%	Target completion	2021	Location	West of Fengyuan Bei Road, South of Daoxiang Road, North of Yanzheng Xi Road, East of Luyang Road, Wujin Economic Development District, Changzhou, Jiangsu Province, the PRC		

9	RK Sky Peninsula							
	Floor area (sqm)	76,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	46,000
	Approximate attributable interest	60%	Target completion	2019	Location	North of Yancheng Avenue, East of Yingbin Road, South of Yanming Road, West of Dongtai Road, Yanshan New District, Changzhou, Jiangsu Province, the PRC		

10	RK Metropolis							
	Floor area (sqm)	97,000	Nature	Residential and commercial	Stage of completion (note)	S/C	Land area (sqm)	50,000
	Approximate attributable interest	49%	Target completion	2019	Location	South of Zhongwu Avenue, West of Jinchuang Road, Yaoguan Town, Wujin District, Changzhou, Jiangsu Province, the PRC		

11	Tang Song							
	Floor area (sqm)	232,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	129,000
	Approximate attributable interest	49%	Target completion	2021	Location	Southeast of Dingxiang Road and Zhongwu Avenue, Zhonglou District, Changzhou, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

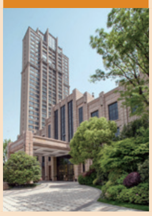
Properties for Sale

As at 31 December 2018

Yangtze River Delta Region

12	City Wan Xiang						
Floor area (sqm)	214,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	109,000
Approximate attributable interest	51%	Target completion	2020	Location	East of Longjiang Zhong Road, South of Zijing West Road, West of Chuanfang North Road, North of Zhongwu Avenue, Zhonglou District, Changzhou, Jiangsu Province, the PRC		

13	Guo Shi Jin Li (formerly known as Zhonglou District Project)						
Floor area (sqm)	108,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	61,000
Approximate attributable interest	50%	Target completion	2020	Location	West of Chechang Road, South of Qingtan West Road, Zhonglou District, Changzhou, Jiangsu Province, the PRC		



14	RK The Providence						
Floor area (sqm)	118,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	88,000
Approximate attributable interest	100%	Target completion	2019	Location	Southwest of the junction of Zhongnan Xi Road and Lixi Road, Binhu District, Wuxi, Jiangsu Province, the PRC		

15	Embrace of Glory						
Floor area (sqm)	147,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	106,000
Approximate attributable interest	33.3%	Target completion	2020	Location	Northwest of the junction of Guanhu Road and Yugang Road, Binhu District, Wuxi, Jiangsu Province, the PRC		

16	Pearl of the Lake						
Floor area (sqm)	63,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	320,000
Approximate attributable interest	33.3%	Target completion	2019	Location	No. 8, Mashan Changle Road, Binhu District, Wuxi, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

Yangtze River Delta Region

17	Mei Du Mansion						
Floor area (sqm)	71,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	45,000
Approximate attributable interest	60%	Target completion	2020	Location	Northwest of intersection of Taibo Avenue, Meicun Street and Meixi Road, Xinwu District, Wuxi, Jiangsu Province, the PRC		

18	Meili Ancient Town						
Floor area (sqm)	54,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	68,000
Approximate attributable interest	60%	Target completion	2019	Location	Southeast of Xinhua Road and Taibo Avenue, Xinwu District, Wuxi, Jiangsu Province, the PRC		

19	RK Phoenix City						
Floor area (sqm)	82,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	843,000
Approximate attributable interest	100%	Target completion	2021	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		

20	RK Yanjiang Riverside						
Floor area (sqm)	31,000	Nature	Residential	Stage of completion (note)	C	Land area (sqm)	58,000
Approximate attributable interest	100%	Target completion	Completed	Location	Junction of Xiangzhou Road and Shunxian Road, Yangchenghu Town, Xiangcheng District, Suzhou, Jiangsu Province, the PRC		

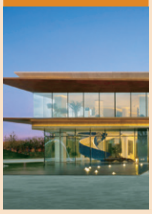
21	The Legendary One						
Floor area (sqm)	188,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	95,000
Approximate attributable interest	51%	Target completion	2020	Location	West of Anyang Road and North of Huhong Road, Huguan Town, Gaoxin District, Suzhou, Jiangsu Province, the PRC		

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

Yangtze River Delta Region

22	New Lake New City							
	Floor area (sqm)	356,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	173,000
	Approximate attributable interest	33%	Target completion	2021	Location	North of Kuaixiang Avenue, East of Xiangshan Bei Road, Wuzhong Taihu National Tourism Resort Zone, Suzhou, Jiangsu Province, the PRC		

23	Jinmao Palace							
	Floor area (sqm)	200,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	116,000
	Approximate attributable interest	45%	Target completion	2020	Location	North land locates at Qingfeng Road East, Tangqiao Road South, South land locates at Youquan Road North, Shiqiaogang West, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC		

24	Shanghe Chen Zhang							
	Floor area (sqm)	73,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	37,000
	Approximate attributable interest	49%	Target completion	2019	Location	East to Suichaogang, South to Suihang Street, North to Sanxianqiaogang, Yuhang District, Hangzhou, Zhejiang Province, the PRC		

25	Jiangnan Courtyard (formerly known as Jiang Na Yuan Zi)							
	Floor area (sqm)	79,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	40,000
	Approximate attributable interest	51%	Target completion	2020	Location	East to Nianyu Banggang Green Zone, South to Nianyu Banggang Zhuliu Green Zone, West to Nianyu Banggang Zhuliu Green Zone, North to Raocheng Highway Green Zone, Yuhang District, Hangzhou, Zhejiang Province, the PRC		

26	RK XinTianDi (Ningbo)							
	Floor area (sqm)	98,000	Nature	Residential and commercial	Stage of completion (note)	S	Land area (sqm)	27,000
	Approximate attributable interest	100%	Target completion	2019	Location	No. 32, Zhengda Lane, Jiangbei District, Ningbo, Zhejiang Province, the PRC		

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

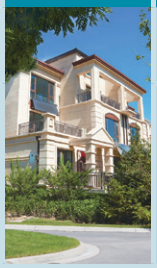
Bohai Rim Region

27	RK World City						
Floor area (sqm)	67,000	Nature	Residential and commercial	Stage of completion (note)	C	Land area (sqm)	108,000
Approximate attributable interest	100%	Target completion	Completed	Location	West to Heying Road, East to Heying Xi Road, North to Changhuai Road Southern Line and South to Changhuai Road, Nanshao Town, Changping District, Beijing, the PRC		

28	RK Sunny Town						
Floor area (sqm)	200,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	811,000
Approximate attributable interest	94.74%	Target completion	2022	Location	Junction of Lushan Road and Helan Road, Hedong District, Tianjin, the PRC		

29	RK Junlan Bay						
Floor area (sqm)	273,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	125,000
Approximate attributable interest	100%	Target completion	2020	Location	Junction of Chenyong Road and Zhixin Road, Beicang Town, Beichen District, Tianjin, the PRC		

30	Joyful Residence						
Floor area (sqm)	163,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	109,000
Approximate attributable interest	50%	Target completion	2020	Location	East of Huangzhuang Street and Quanshang Road, Wuqing District, Tianjin, the PRC		



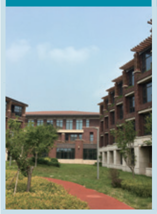
31	RK Grandtown						
Floor area (sqm)	388,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	495,000
Approximate attributable interest	100%	Target completion	2021	Location	East of Shouchuang Da Street, South of Xinkai Da Street, West of Lidaxian and South to North of Dafubei Road, Xiadian Town, Dachang Hui Autonomous County, Langfang, Hebei Province, the PRC		

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

Bohai Rim Region



32	Guan Project						
Floor area (sqm)	79,000	Nature	Residential and commercial	Stage of completion (note)	C	Land area (sqm)	200,000
Approximate attributable interest	45%	Target completion	Completed	Location	West of Neinanchen Village and East of Daguang Highway, Hot Spring Park, Guan County, Langfang, Hebei Province, the PRC		

33	RK City (Jinan) Phase III						
Floor area (sqm)	101,000	Nature	Residential and commercial	Stage of completion (note)	F	Land area (sqm)	17,000
Approximate attributable interest	100%	Target completion	2021	Location	South of Beiyuan Da Street and West of Erhuan East Road, Licheng District, Jinan, Shandong Province, the PRC		

34	Joy Mansion of Glory						
Floor area (sqm)	129,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	50,000
Approximate attributable interest	50%	Target completion	2020	Location	North of Jingshi Dong Road, Lixia District, Jinan, Shangdong Province, the PRC		

35	Noble Mansion of Glory						
Floor area (sqm)	60,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	21,000
Approximate attributable interest	50%	Target completion	2021	Location	South of Xinggang Road, Lixia District, Jinan, Shangdong Province, the PRC		

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

Guangdong – Hong Kong – Macao Bay Area

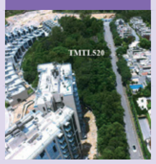
36	RK Mont Panorama (Guangzhou)							
	Floor area (sqm)	169,000	Nature	Residential	Stage of completion (note)	S/C	Land area (sqm)	90,000
	Approximate attributable interest	51%	Target completion	2019	Location	Baohua Road, Huadu District, Guangzhou, Guangdong Province, the PRC		

37	Elite's Mansion							
	Floor area (sqm)	138,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	40,000
	Approximate attributable interest	49%	Target completion	2020	Location	North of Ronggui Rongqi Avenue East, West of Xianghe Guojiang Tunnel, Shunde District, Foshan, Guangdong Province, the PRC		

38	Rivage Panorama (formerly known as Elite Manor)							
	Floor area (sqm)	49,000	Nature	Residential	Stage of completion (note)	F/S	Land area (sqm)	22,000
	Approximate attributable interest	100%	Target completion	2020	Location	No. 27 of Rongqi Avenue East, Ronggui Rongli Neighborhood Committee, Shunde District, Foshan, Guangdong Province, the PRC		

39	Yuen Long Project							
	Floor area (sqm)	31,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	28,000
	Approximate attributable interest	100%	Target completion	2020	Location	Lot No. 1066 in Demarcation District No. 103, Au Tau, Yuen Long, New Territories, Hong Kong		

40	Wong Chuk Hang Project							
	Floor area (sqm)	47,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	11,000
	Approximate attributable interest	50%	Target completion	2021	Location	Site A of Aberdeen Inland Lot No. 467, Hong Kong		

41	So Kwun Wat Project							
	Floor area (sqm)	40,000	Nature	Residential	Stage of completion (note)	P	Land area (sqm)	12,000
	Approximate attributable interest	50%	Target completion	2022	Location	Tuen Mun Town Lot No. 520, New Territories, Hong Kong		

MAJOR PROJECTS INFORMATION

Properties for Sale

As at 31 December 2018

Other Regions

42	RK International City (Zhengzhou)							
	Floor area (sqm)	248,000	Nature	Residential	Stage of completion (note)	P/F/S/C	Land area (sqm)	162,000
	Approximate attributable interest	60%	Target completion	2020	Location	Northeast of the junction of Shangduda Road and Renwen Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		

43	RK Ninth County							
	Floor area (sqm)	888,000	Nature	Residential and commercial	Stage of completion (note)	M/F/S	Land area (sqm)	314,000
	Approximate attributable interest	60%	Target completion	2025	Location	East to Zhongxing Road, West to Guihua Road, South to Dongfeng Road, North to Wenbo Road, Xiaopan Zhuang, Zhongmou County, Zhengzhou, Henan Province, the PRC		

44	RK Royal City (Luoyang)							
	Floor area (sqm)	199,000	Nature	Residential	Stage of completion (note)	F/S/C	Land area (sqm)	147,000
	Approximate attributable interest	100%	Target completion	2021	Location	Huaxia Road, Gaoxin District, Luoyang,Henan Province, the PRC		

45	RK Leader of Life (Luoyang)							
	Floor area (sqm)	54,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	54,000
	Approximate attributable interest	100%	Target completion	2022	Location	Southwest of the junction of Yanhuang Road and Tianzhong Road, Gaoxin District, Luoyang, Henan Province, the PRC		

46	RK Times City							
	Floor area (sqm)	60,000	Nature	Residential	Stage of completion (note)	S	Land area (sqm)	24,000
	Approximate attributable interest	80%	Target completion	2022	Location	Wulijie Street, Maojiafan Village, Jiangxia District, Wuhan, Hubei Province, the PRC		

47	Shan He Wan							
	Floor area (sqm)	209,000	Nature	Residential	Stage of completion (note)	M/P/S	Land area (sqm)	73,000
	Approximate attributable interest	80%	Target completion	2021	Location	No. 34 Jiexing Road, Wulijie Street, Jiangxia District, Wuhan, Hubei Province, the PRC		

MAJOR PROJECTS INFORMATION

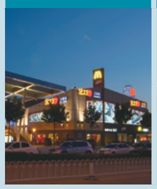
Investment Properties

As at 31 December 2018

48	RK Grand Metropolis (Changzhou)						
Floor area (sqm)	94,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	67,000
Approximate attributable interest	100%	Target completion	Completed	Location	No. 33, Huayuan Street, Wujin District, Changzhou, Jiangsu Province, the PRC		

19	RK Phoenix City						
Floor area (sqm)	23,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	17,000
Approximate attributable interest	100%	Target completion	Completed	Location	Junction of Zhongxin Da Road East and Xieyu Road South, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC		

49	RK Grand Metropolis (Suzhou)						
Floor area (sqm)	37,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	24,000
Approximate attributable interest	100%	Target completion	Completed	Location	No. 180, Renmin Road, Wujiang District, Suzhou, Jiangsu Province, the PRC		



28	RK Joy Park						
Floor area (sqm)	15,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	9,000
Approximate attributable interest	94.74%	Target completion	Completed	Location	Junction of Longshan Road and Tianshan Bei Road, Hedong District, Tianjin, the PRC		

50	RK Central Special Zone						
Floor area (sqm)	24,000	Nature	Commercial	Stage of completion (note)	C	Land area (sqm)	9,000
Approximate attributable interest	94.74%	Target completion	Completed	Location	Junction of Shangding Road and Nongye Dong Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC		

MAJOR PROJECTS INFORMATION

NEW PROJECTS ACQUIRED IN THE SECOND HALF OF 2018

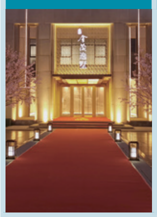
Yangtze River Delta Region

51	Lu Zhi Project							
	Floor area (sqm)	97,000	Nature	Residential	Stage of completion (note)	F	Land area (sqm)	45,000
	Approximate attributable interest	100%	Target completion	2020	Location	East of Fucheng North Road, South of Luzhi Avenue, Wuzhong District, Jiangsu Province, the PRC		

52	Langting Gem Mansion							
	Floor area (sqm)	152,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	71,000
	Approximate attributable interest	49%	Target completion	2021	Location	North of Youyi Road, East of Tonglu Road, Lujia Town, Kunshan, Jiangsu Province, the PRC		

Bohai Rim Region

53	Hai Jieo Yuan Project							
	Floor area (sqm)	100,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	72,000
	Approximate attributable interest	100%	Target completion	2020	Location	East of Wenhui North Road, Haihe Education Park, Tianjin, the PRC		

54	Jin Mao Noble Manor							
	Floor area (sqm)	147,000	Nature	Residential	Stage of completion (note)	P/F	Land area (sqm)	81,000
	Approximate attributable interest	50%	Target completion	2020	Location	North of Feiyue Avenue, East of Hancang River, South of Hancang Avenue, Licheng District, Jinan, Shandong Province, the PRC		

NEW PROJECT ACQUIRED IN 2019 AND UP TO THE REPORT DATE

Bohai Rim Region

55	Mi Yun Project							
	Floor area (sqm)	57,000	Nature	Residential	Stage of completion (note)	M	Land area (sqm)	33,000
	Approximate attributable interest	100%	Target completion	2020	Location	Ligezhuang Road, Miyun District, Beijing, the PRC		

Notes:

"M" denotes "Master planning"
"P" denotes "Planning and design"
"F" denotes "Foundation"
"S" denotes "Superstructure"
"C" denotes "Completed"

TOLL ROAD PROJECTS

MAJOR PROJECTS INFORMATION

Toll Road Projects

As at 31 December 2018

1	Baojin Expressway					
	Location	Hebei Province	Length	105 km	Equity interest (note)	40%
	Route	National Expressway G18 Baoding-Tianjin ~ 4-lane		Road Rise Investments Limited		

2	Tangjin Expressway					
	Location	Hebei Province	Length	58 km	Equity interest (note)	45%
	Route	National Expressway G25 Tangshan-Tianjin ~ 4/6-lane		Ontex Investments Limited Road Base Investments Limited Road Bond Investments Limited		

3	Changyi Expressway					
	Location	Hunan Province	Length	69 km	Equity interest (note)	43.17%
	Route	National Expressway G5513 Changsha-Yiyang ~ 4-lane		Road Crown Investments Limited Road Express Investments Limited Road Famous Investments Limited Road Glorious Investments Limited Road Grand Investments Limited Road Link Investments Limited		

4	Longcheng Expressway					
	Location	Shanxi Province	Length	72 km	Equity interest (note)	45%
	Route	Provincial Expressway S60 Yuci Longbai Village-Chengzhao, Qixian ~ 6-lane		Intersafe Investments Limited		

5	Machao Expressway					
	Location	Anhui Province	Length	36 km	Equity interest (note)	49%
	Route	Provincial Expressway S24 Ma'anshan-Chaohu ~ 6-lane		Road King (China) Infrastructure Limited		

Note:

As at 31 December 2018, the toll road projects are indirectly held by Road King Expressway International Holdings Limited (formerly named as RKE International Holdings Limited ("RKE")), which is 75% (2017: 100%) held by the Group.

BUSINESS REVIEW

For the year ended 31 December 2018, property sales and toll revenue of the Group (including joint venture projects) were RMB34,503 million and RMB3,079 million respectively, totaling RMB37,582 million, representing an increase of 30% as compared with 2017. The profit for each business segment of the Group also recorded a growth in 2018. The profit for the year of 2018 was HK$3,699 million, representing a significant increase of HK$1,223 million or 49% as compared with 2017, with earnings per share of HK$3.99 and net assets per share of HK$23.22.

For land reserve replenishment, the Group acquired nine pieces of land, mainly for residential and commercial purpose, through listing-for-sale and co-development with competent enterprises in 2018, with an aggregate floor area of about 1,040,000 sqm. As at 31 December 2018, the Group's land reserves increased to 8,000,000 sqm in total, and total area of properties pre-sold but yet to be delivered was 1,930,000 sqm.

BUSINESS SEGMENTS ANALYSIS

(i) PROPERTY SEGMENT

In 2018, the central and local governments of Mainland China continued to implement the previous year's specific austerity measures based on regional circumstances and guidance. In order to prevent the overheating of regional property markets, regulatory measures, such as regulating land auction, tightening home purchase restrictions and restriction on prices and mortgage, have gradually become routinised in various regions. This has led to a more complicated property market environment. Nonetheless, the Group adhered to its operating strategy of balancing sales volume and profitability, coupled with the flexible marketing approach and the dedication of the management team to boost sales, the property sales of the Group (including joint venture projects) in 2018 increased to a record high of RMB31,648 million, of which the contracted sales reached RMB29,475 million and outstanding subscribed sales amounted to approximately RMB2,173 million.

Property Sales and Delivery

Set out below is an analysis of the property segment's property sales and delivery by region (including joint venture projects) for 2018:

	Sales		Delivery	
Regions	**Amount**	**Area**	**Amount**	**Area**
(Notes)	RMB'million	sqm	RMB'million	sqm
Yangtze River Delta Region	20,261	1,161,000	11,239	656,000
Bohai Rim Region	7,609	423,000	7,661	394,000
Guangdong-Hong Kong -Macao Bay Area	2,827	117,000	1,254	66,000
Other Regions	951	113,000	100	14,000
Total – 2018	31,648	1,814,000	20,254	1,130,000
Total – 2017	24,242	1,429,000	12,788	901,000

Notes:
Yangtze River Delta Region comprises Shanghai, Jiangsu Province and Zhejiang Province.
Bohai Rim Region comprises Beijing, Tianjin, Hebei Province and Shandong Province.
Guangdong-Hong Kong-Macao Bay Area comprises Guangdong Province and Hong Kong Special Administrative Region.
Other Regions comprise Henan Province.

In 2018, property sales of the Group increased about 31% as compared with 2017, with the average selling price increases to approximately RMB17,400 per sqm. The sales mainly concentrated in Yangtze River Delta Region, representing about 64% of the total property sales. As at 31 December 2018, the total area of properties pre-sold but yet to be delivered was about 1,700,000 sqm.

Financial Review

Set out below is an analysis of the performance of the Group's property segment for 2018 and 2017:

	2018 HK$'million	**2017** HK$'million
Revenue	22,143	14,414
Gross profit	9,881	5,697
Selling and operating expenses	(1,302)	(1,011)
Profit for the year	2,959	2,000

In 2018, revenue of the Group's property segment was mainly contributed by the delivery of properties in Yangtze River Delta Region, which represented about 55% of the total property delivery. The average selling price per sqm was approximately RMB17,900, representing an increase of about 26% as compared with 2017. Gross profit margin was increased from 40% to approximately 45%. Profit of the property segment was approximately HK$2,959 million, representing a surge of 48% comparing to last year.

Land Reserves

The Group's property segment acquired seven pieces of land for residential purpose, through listing-for-sale and co-development with competent enterprises in 2018, with an aggregate floor area of about 774,000 sqm. Among which, five pieces of new land are joint venture projects. The Group believes that co-development with competent enterprises would enable the Group to invest in scalable projects, share higher returns and diversify the financial burden.

Details of new lands are set out as follows:

Province/Municipalities	**Attributable Interest**	**Land Area** sqm	**Floor Area** sqm	**Total consideration** RMB'million
Yangtze River Delta Region				
Jiangsu Province	25% – 100%	256,000	527,000	6,732
Bohai Rim Region				
Tianjin	100%	72,000	100,000	1,000
Shandong Province	50%	81,000	147,000	1,409

The Group's land reserve includes properties under planning and construction, properties held for sale and properties held for investment. As at 31 December 2018, the property segment's land reserve was approximately 6,400,000 sqm which were mainly located in Yangtze River Delta Region.

In January 2019, the Group further acquired a land parcel in Miyun District, Beijing for residential development. The site area and the floor area of the project are 33,000 sqm and 57,000 sqm, respectively. The Group will optimise the land reserve portfolio in the Mainland China and Hong Kong in a cautious manner and seek for more development opportunities with business partners in the future.

In 2018, the Group's new construction area was 3,470,000 sqm while the area of completed projects was 1,600,000 sqm. New construction area and the area of completed projects in 2019 are expected to be 2,750,000 sqm and 2,900,000 sqm, respectively.

Overview of Major Projects

Yangtze River Delta Region

RK Shanghai Manor, Shanghai

Located in Jiading District, Shanghai, RK Shanghai Manor lies in close proximity to the south of The Riverside, a joint venture property project of the Group. With a site area of 133,000 sqm and a floor area of 133,000 sqm, the project is developed in three phases. The project is a low-density residential project with a focus on villas.

In 2018, sales of RK Shanghai Manor was RMB224 million, with an average selling price of approximately RMB28,000 per sqm. In 2018, the value and area of properties delivered were RMB627 million and 20,000 sqm, respectively. It is expected that a total area of 2,000 sqm will be delivered in 2019 and had already been pre-sold as of 31 December 2018.

RK Shanghai Villa, Shanghai

Located at Jiading District, Shanghai, RK Shanghai Villa lies in close proximity to the south of the Group's RK Shanghai Manor and is adjacent to the centre of Waigang Town, enjoying convenient access. It has a site area and a floor area of 136,000 sqm and 130,000 sqm, respectively. The project is developed in three phases, with a focus on semi-detached villas.

In 2018, sales of RK Shanghai Villa was RMB91 million, with an average selling price of approximately RMB36,000 per sqm. In 2018, the value and area of properties delivered were RMB536 million and 18,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2019, of which 3,000 sqm had already been pre-sold as of 31 December 2018.

RK Shanghai Style Phase III, Shanghai

RK Shanghai Style Phase III lies in close proximity to the Changji East Road Metro Station and RK Shanghai Style Phase I and Phase II of the Group, mainly for mixed living area with high-end residential development and commercial facilities. The project has a site area of 42,000 sqm and a floor area of 83,000 sqm and is developed in two phases.

In 2018, sales of RK Shanghai Style Phase III was RMB1,277 million, with an average selling price of approximately RMB30,000 per sqm. In 2018, the value and area of properties delivered were RMB1,109 million and 40,000 sqm, respectively. It is expected that a total area of 2,000 sqm will be delivered in 2019 and had already been pre-sold as of 31 December 2018.

RK Sheshan Villa, Shanghai

RK Sheshan Villa is located at the centre of Xiaokunshan Town in Songjiang District, Shanghai, adjacent to the Songjiang Science & Technology Zone and the centre of Songjiang Xincheng. With a site area of 37,000 sqm and a floor area of 56,000 sqm, the project is planned to be developed as a residential community with a focus on apartments and villas at affordable prices.

In 2018, sales of RK Sheshan Villa was RMB978 million, with an average selling price of approximately RMB40,000 per sqm. In 2018, the value and area of properties delivered were RMB1,109 million and 32,000 sqm, respectively. It is expected that a total area of 11,000 sqm will be delivered in 2019, of which 5,000 sqm had already been pre-sold as of 31 December 2018.

RK Sheshan Villa•Dongyuan, Shanghai

RK Sheshan Villa•Dongyuan is located in Xiaokunshan Town, Songjiang District, Shanghai with two pieces of land for residential and commercial developments adjacent to RK Sheshan Villa. The project has a site area of 122,000 sqm and a floor area of 194,000 sqm.

In 2018, sales of RK Sheshan Villa•Dongyuan was RMB551 million, with an average selling price of approximately RMB33,000 per sqm. It is expected that a total area of 29,000 sqm will be delivered in 2019, of which 17,000 sqm had already been pre-sold as of 31 December 2018.

RK City, Changzhou

RK City is located at Hutang Town, a town centre of Wujin District surrounded by well-established amenities. It has an aggregated site area and a floor area of 280,000 sqm and 705,000 sqm, respectively. The project is developed in eight phases, with a focus on high-rise and low-rise residential buildings.

In 2018, sales of RK City was RMB1,437 million, with an average selling price of approximately RMB12,000 per sqm. In 2018, the value and area of properties delivered were RMB1,294 million and 145,000 sqm, respectively. It is expected that a total area of 247,000 sqm will be delivered in 2019, of which 222,000 sqm had already been pre-sold as of 31 December 2018.

RK City Signature, Changzhou

RK City Signature is located to the east of Longjiang Middle Road and to the south of Qingtan West Road, Lingjiatang, Zhonglou District, Changzhou, with a site area of 110,000 sqm and a floor area of 264,000 sqm. The project is developed in three phases.

In 2018, sales of RK City Signature was RMB202 million, with an average selling price of approximately RMB12,000 per sqm. In 2018, the value and area of properties delivered were RMB855 million and 92,000 sqm, respectively. It is expected that a total area of 91,000 sqm will be delivered in 2019, of which 84,000 sqm had already been pre-sold as of 31 December 2018.

RK City Landmark, Changzhou

Located at the commercial and trade hub of Longjiang Road in New Town of Changzhou, which is a key area of development according to government plans, RK City Landmark is well-served with various amenities and the Group plans to develop it into a quality and eco-friendly community. With a site area of 89,000 sqm and a floor area of 217,000 sqm, the project is developed in three phases.

In 2018, sales of RK City Landmark was RMB2,904 million, with an average selling price of approximately RMB16,000 per sqm. It is expected that a total area of 131,000 sqm will be delivered in 2019, of which 125,000 sqm had already been pre-sold as of 31 December 2018.

RK Taihu Lake Yard, Changzhou

Located to the north of Xitaihu, Wujin District, Changzhou. RK Taihu Lake Yard is in proximity to Xitaihui scenic area and Jiangsu-Macao industrial zone. Boasting convenient access and comprehensive facilities, the project is surrounded by a beautiful environment fit for developing into a high-end low density community. The project has a developable site area of 208,000 sqm and a floor area of 197,000 sqm.

In 2018, sales of RK Taihu Lake Yard was RMB208 million, with an average selling price of approximately RMB16,000 per sqm. It is expected that a total area of 28,000 sqm will be delivered in 2019, of which 13,000 sqm had already been pre-sold as of 31 December 2018.

RK Sky Peninsula, Changzhou

Located to the north of Yancheng Avenue, Yanshan New District, Liyang, Changzhou and close to Liyang Station of Nanjing-Hangzhou (Ninghang) Highspeed Rail and Yanhu Park, RK Sky Peninsula is equipped with quality educational, healthcare and commercial facilities. The project is fit for developing into a high-end residential community integrating park landscape resources, and has an aggregated site area and a floor area of 46,000 sqm and 76,000 sqm, respectively.

In 2018, sales of RK Sky Peninsula was RMB480 million, with an average selling price of approximately RMB15,000 per sqm. It is expected that a total area of 76,000 sqm will be delivered in 2019, of which 33,000 sqm had already been pre-sold as of 31 December 2018.

RK Metropolis, Changzhou

Located in Yaoguan Town, Wujin District, Changzhou and adjacent to the urban core of Tianning and Songjianhu Wetland Park, RK Metropolis has a beautiful environment with sound commercial, educational and healthcare facilities and a RT-Mart supermarket already completed and in operation within the area. It has a site area of 50,000 sqm and a floor area of 97,000 sqm, respectively.

In 2018, sales of RK Metropolis was RMB577 million, with an average selling price of approximately RMB11,000 per sqm. It is expected that a total area of 67,000 sqm will be delivered in 2019, of which 52,000 sqm had already been pre-sold as of 31 December 2018.

City Wan Xiang, Changzhou

Located at the east of Longjiang Zhong Road and north of Zhongwu Avenue in Zhonglou District, Changzhou, Jiangsu Province, the City Wan Xiang is adjacent to RK City Signature. Surrounded by quality educational, healthcare and commercial facilities, the land is fit for developing into a low-density residential apartments. It has a site area of 109,000 sqm and a floor area of 214,000 sqm, respectively.

In 2018, sales of City Wan Xiang was RMB536 million, with an average selling price of approximately RMB16,000 per sqm. The project is expected to be delivered in the first half of 2020.

Tang Song, Changzhou

Tang Song is located at southeast of Dingxiang Road and Zhongwu Avenue. Surrounded by educational, healthcare, commercial, park and traffic facilities, the land is fit for developing into a high-quality residential project. It has a site area of 129,000 sqm and a floor area of 232,000 sqm, respectively.

In 2018, sales of Tang Song was RMB165 million, with an average selling price of approximately RMB18,000 per sqm. The project is expected to be delivered in the first half of 2020.

RK Phoenix City, Suzhou

RK Phoenix City is located in Suzhou Industrial Park, Suzhou, with a site area and a floor area of 860,000 sqm and 1,560,000 sqm, respectively. The project comprises three developments, namely Phoenix City Garden, i-Zone and Forest & Valley Villa. i-Zone focuses on high-rise residential buildings, targeting the middle-class customers within the district. Forest & Valley Villa comprises semi-detached villas and high-rise residential buildings. The Group plans to develop it as a high-end residential area. With Xietang River on its south, Forest & Valley Villa enjoys a 788-metre riverside. RK Phoenix City is designed to develop 100,000 sqm of commercial street, 10,000 sqm of a clubhouse, one primary school and three kindergartens.

In 2018, sales of RK Phoenix City was mainly from Forest & Valley Villa, which recorded sales of RMB1,461 million, with an average selling price of approximately RMB30,000 per sqm. In 2018, the properties delivered were mainly from Forest & Valley Villa, with the value and area of properties delivered of RMB3,438 million and 118,000 sqm, respectively. It is expected that a total area of 3,000 sqm of Forest & Valley Villa will be delivered in 2019, of which 500 sqm had already been pre-sold as of 31 December 2018.

RK Yanjiang Riverside, Suzhou

RK Yanjiang Riverside is located at Yangchenghu Town, Xiangcheng District, Suzhou, with a site area of 58,000 sqm and a floor area of 79,000 sqm. Yangchenghu Town is a famous tourist attraction in Yangtze River Delta Region alongside comprehensive and first-class leisure facilities, which is suitable for the development of a high-end villa surrounded by lake scenery.

In 2018, sales of RK Yanjiang Riverside was RMB1,023 million, with an average selling price of approximately RMB20,000 per sqm. In 2018, the value and area of properties delivered were RMB916 million and 48,000 sqm, respectively. It is expected that a total area of 31,000 sqm will be delivered in 2019, of which 17,000 sqm had already been pre-sold as of 31 December 2018.

New Lake New City, Suzhou

New Lake New City is located in the Wuzhong Taihu Resort Zone, Suzhou. The land is fit for developing into high-quality residential apartments with convenient access. It has a site area of 173,000 sqm and a floor area of 356,000 sqm, respectively.

In 2018, sales of New Lake New City was RMB576 million, with an average selling price of approximately RMB19,000 per sqm. It is expected that a total area of 141,000 sqm will be delivered in 2019, of which 31,000 sqm had already been pre-sold as of 31 December 2018.

RK The Providence, Wuxi

RK The Providence is located in Binhu District, Wuxi, Jiangsu Province. The project is located in the Taihu Tourist Resort Zone, a new upscale residential area in Wuxi, adjacent to the planned Metro line. The project has a site area and a floor area of 88,000 sqm and 200,000 sqm, respectively.

In 2018, sales of RK The Providence was RMB2,099 million, with an average selling price of approximately RMB25,000 per sqm. In 2018, the value and area of properties delivered were RMB146 million and 9,000 sqm, respectively. It is expected that a total area of 113,000 sqm will be delivered in 2019, of which 88,000 sqm had already been pre-sold as of 31 December 2018.

Pearl of the Lake, Wuxi

Located at the Binhu District, Wuxi and in proximity to Taihu and Lingshan scenic area, Pearl of the Lake is of beautiful scenery and excellent natural visual resources, which is fit for developing into middle to high end projects.

In 2018, sales of Pearl of the Lake was RMB1,033 million, with an average selling price of approximately RMB18,000 per sqm. In 2018, the value and area of properties delivered were RMB87 million and 7,000 sqm, respectively. It is expected that a total area of 63,000 sqm will be delivered in 2019, of which 52,000 sqm had already been pre-sold as of 31 December 2018.

Jinmao Palace, Jiaxing

Located at the Jiaxing Economic and Technological Development Zone, the Jinmao Palace is surrounded by established commercial, healthcare and educational facilities with the beautiful scenery. Jiaxing City is fit for developing into high-quality residential apartments. The project has a site area of 116,000 sqm and a floor area of 200,000 sqm.

In 2018, sales of Jinmao Palace was RMB1,324 million, with an average selling price of approximately RMB16,000 per sqm. It is expected that a total area of 85,000 sqm will be delivered in 2019, of which 82,000 sqm had already been pre-sold as of 31 December 2018.

Jiangnan Courtyard (formerly known as Jiang Na Yuan Zi), Hangzhou

Located at the Yuhang District and in proximity to Shanghe Chen Zhang project and established commercial, school and healthcare facilities, Jiangnan Courtyard is fit for developing into a cost-effective residential project. The project has a site area of 40,000 sqm and a floor area of 79,000 sqm.

In 2018, sales of Jiangnan Courtyard was RMB440 million, with an average selling price of approximately RMB21,000 per sqm. It is expected that a total area of 65,000 sqm will be delivered in 2019, of which 21,000 sqm had already been pre-sold as of 31 December 2018.

Bohai Rim Region

RK World City, Beijing

Located in the centre of Changping District, Beijing, RK World City is an urban complex comprising boutique apartments, SOHO (i.e. Small Office/Home Office) and commercial properties.

In 2018, sales of RK World City was RMB27 million, with an average selling price of approximately RMB30,000 per sqm for commercial buildings. In 2018, the value and area of properties delivered were RMB433 million and 16,000 sqm, respectively. It is expected that a total area of 4,000 sqm will be delivered in 2019.

RK Grandtown, Langfang

RK Grandtown located in Dachang County, Langfang, lying to the east of Yanjiao and is adjacent to Tongzhou District, Beijing. The Group plans to develop it as a high-end residential community. The project has a site area of 495,000 sqm with a floor area of 723,000 sqm and is planned to comprise five phases of villas, semi-detached villas and high-rise residential buildings, coupled with 35,000 sqm for commercial complex and 1,000 sqm for clubhouse.

In 2018, sales of RK Grandtown was RMB2,115 million, with an average selling price of approximately RMB16,000 per sqm. The value and area of properties delivered in 2018 were RMB1,722 million and 116,000 sqm, respectively. It is expected that a total area of 153,000 sqm will be delivered in 2019, of which 118,000 sqm had already been pre-sold as of 31 December 2018.

RK Sunny Town, Tianjin

Located in Hedong District, Tianjin, RK Sunny Town is adjacent to the Tianjin Metro line. The project has a site area of 820,000 sqm with a floor area of 1,150,000 sqm and is planned to comprise nine phases of low-rise and high-rise residential buildings, coupled with 30,000 sqm of commercial complex, 8,000 sqm of a clubhouse as well as one primary school and one kindergarten.

In 2018, sales of RK Sunny Town was RMB2,311 million, with an average selling price of approximately RMB28,000 per sqm. The value and area of properties delivered in 2018 were RMB3,517 million and 125,000 sqm, respectively. It is expected that a total area of 100,000 sqm will be delivered in 2019, of which 89,000 sqm had already been pre-sold as of 31 December 2018.

RK Junlan Bay, Tianjin

RK Junlan Bay is located in Beicang Town, Beichen District, Tianjin, with a site area of 125,000 sqm and a floor area of 265,000 sqm. The project is at the west of the North Canel scenery belt and the east of Hebei University of Technology and residential area, and it is planned to be developed as an eco-friendly residential community with comprehensive facilities.

In 2018, sales of RK Junlan Bay was RMB1,762 million, with an average selling price of approximately RMB16,000 per sqm. It is expected that a total area of 103,000 sqm will be delivered in 2019, of which 63,000 sqm had already been pre-sold as of 31 December 2018.

RK City Phase II, Jinan

RK City Phase II is adjacent to the Group's RK City Phase I, with a site area and a floor area of 34,000 sqm and 128,000 sqm, respectively. The project located the intersection of Hunglou Commercial Circle, Beiyuan Commercial Circle and Quanfu Commercial Circle, equipped with comprehensive facilities and convenient access, which has strong development potential and is planned to be developed as a quality residential community in the town centre.

In 2018, sales of RK City Phase II was RMB580 million, with an average selling price of approximately RMB16,000 per sqm. The value and area of properties delivered in 2018 were RMB1,795 million and 123,000 sqm, respectively. It is expected that a total area of 2,000 sqm will be delivered in 2019.

Guangdong-Hong Kong-Macao Bay Area

RK Mont Panorama, Guangzhou

Located at Baohua Road, the core centre of Huadu District, Guangzhou, RK Mont Panorama is adjacent to the developing Metro line 9 and surrounded by Huaguoshan Park, Canton Tower Park, Huadu Stadium and first-class education centres in Guangdong. With a site area of 90,000 sqm and a floor area of 226,000 sqm, the project is planned to be developed as a high-end residential community in three phases.

In 2018, sales of RK Mont Panorama was RMB2,502 million, with an average selling price of approximately RMB25,000 per sqm. The value and area of properties delivered in 2018 were RMB1,232 million and 63,000 sqm, respectively. It is expected that a total area of 152,000 sqm will be delivered in 2019, of which 102,000 sqm had already been pre-sold as of 31 December 2018.

Yuen Long Project, Hong Kong Special Administrative Region

Yuen Long Project is located in Au Tau, Yuen Long, New Territories with a site area of 28,000 sqm and a floor area of 31,000 sqm, the project is planned to be developed as a high quality low density residence. The project is expected to be launched in the third quarter of 2019.

Wong Chuk Hang Project, Hong Kong Special Administrative Region

Phase I of the residential plot of Wong Chuk Hang Project is located at Wong Chuk Hang Station of the MTR South Island line in proximity to Ocean Park and Aberdeen Marina Club, just two stations from Admiralty Station in the financial hub of Hong Kong. It was also the first high-end railway property development project on Hong Kong Island in almost 30 years. With a site area of 11,000 sqm and a floor area of 47,000 sqm, phase I of the project is planned to be launched in the second half of 2020.

So Kwun Wat Project, Hong Kong Special Administrative Region

Located in So Kwun Wat, Tuen Mun, New Territories and adjacent to Hong Kong Gold Coast, the So Kwun Wat Project is suitable for developing into a relatively high-end low density residence. With a site area of 12,000 sqm and a floor area of 40,000 sqm, the project is planned to be launched in the first half of 2021.

Other Regions

RK Royal City, Luoyang

RK Royal City is located in Gaoxin District, Luoyang, mainly for residential development. With a site area of 147,000 sqm and a floor area of 392,000 sqm, the project is developed in three phases.

In 2018, sales of RK Royal City was RMB794 million, with the value and area of properties delivered of RMB99 million and 14,000 sqm, respectively. It is expected that a total area of 84,000 sqm will be delivered in 2019, of which 80,000 sqm had already been pre-sold as of 31 December 2018.

New Projects

Acquired in the second half of 2018:

Yangtze River Delta Region

Lu Zhi Project, Suzhou

In July 2018, the Group acquired a piece of land in Luzhi Town, Wuzhong District, Suzhou for residential development through listing-for-sale. The project is located to the south of Luzhi Avenue and in proximity of Luzhi Ancient Town. It is fit for developing into a high-quality residential project with convenient access. The project has a site area and a floor area of 45,000 sqm and 97,000 sqm respectively, and is planned to be launched in the second half of 2019.

Lanting Gem Mansion, Kunshan

In August 2018, the Group acquired a piece of land in Lujia Town, Kunshan for residential development through cooperation. The project is in proximity of the government office in Lujia Town, Kunshan with a rail transit in construction. With established commercial, healthcare and educational facilities, excellent living atmosphere with a natural water area nearby, the land is fit for developing into a city improvement benchmark project. The project has a site area and a floor area of 71,000 sqm and 152,000 sqm respectively, and is planned to be launched in the mid-2019.

Bohai Rim Region

Hai Jieo Yuan Project, Tianjin

In August 2018, the Group acquired a piece of land in Jinnan District, Tianjin for residential development through listing-for-sale. The project is located at the Haihe Education Park area with a quiet and beautiful surrounding. With well-served living amenities and abundant educational resources, the land is fit for developing into a medium-density health residential apartment project. The project has a site area and a floor area of 72,000 sqm and 100,000 sqm respectively, and is planned to be launched in the second half of 2019.

Jin Mao Noble Manor, Jinan

In July 2018, the Group acquired a piece of land in Licheng District, Jinan for residential development through listing-for-sale. The project is located at the intersection of Hancang River and Hancang Avenue. With superior geographical location, convenient access, favourable living atmosphere, established amenities and quality educational resources, the land is fit for developing into a high quality residential products. The project has a site area and a floor area of 81,000 sqm and 147,000 sqm respectively, and is planned to be launched in the second half of 2019.

Acquired in 2019 and up to the date of this report:

Bohai Rim Region

Mi Yun Project, Beijing

In January 2019, the Group acquired a piece of land in Miyun District, Beijing for residential development through listing-for-sale. The project is located at the Miyun District, Beijing and adjacent to Miguan Road. With quality natural environment, and upgraded amenities, the land is fit for developing into a residential community that meet the strong demand from customers. The project has a site area and a floor area of 33,000 sqm and 57,000 sqm respectively, and is planned to be launched in the second half of 2019.

(ii) TOLL ROAD SEGMENT

In 2018, under the intricate international environment, the national economy maintained steady growth. The real disposable income per capita (deducting the price factor) in the PRC remained at a reasonable level and recorded a year-on-year growth of 6.5%, and in line with the economic growth. As the PRC government continues to implement supply-side structural reform policy, the economic structural adjustment and optimization enhanced the economic reform and opening-up, it is expected that the economy will continue to grow healthily. The rising household income will lead to an increase in transportation demand, including the demand for expressways. The expressways of the Group are well-located and the economic benefits will further uplift.

In 2018, the Group introduced a new investor, CVC to the expressway business. The Group will take this as the foundation and continue to explore and invest in expressway projects located in Mainland China and Southeast Asia regions with reasonable returns so as to form a solid foundation for the development of the Group's expressway business.

Financial Review

In 2018, the Group received cash distribution of HK$827 million from the expressway joint ventures, including the repayment of shareholders' loans. The Group's share of operating profits of toll road joint ventures (net of income tax and withholding tax) increased from HK$506 million in 2017 to HK$632 million in 2018, representing an increase of 25% comparing to the corresponding period of last year, mainly attributable to the significant growth in toll revenue. The two expressways in Hebei Province recorded a double-digit growth in both traffic volume and toll revenue, which was attributable to the economic growth arising from transformation and upgrade in real economy of Beijing-Tianjin-Hebei Region and the three provinces of Northeast China. Longcheng Expressway in Shanxi Province and Machao Expressway in Anhui Province recorded a strong growth in both traffic volume and toll revenue, as they are close to the end of the nurturing stage, thus increased the profit in expressway business accordingly.

Analysis of toll revenue and expenses of the expressways projects attributable to the Group:

	2018 **RMB'million**	2017 RMB'million	**Increase** **%**
Share of toll revenue (net of business and related taxes)	**1,336**	1,159	**15**
Share of expenses (excluding amortisation and taxation)	**350**	302	**16**

The traffic volume and toll revenue of the expressway projects for 2018 are as follows:

Project	**Average Daily Traffic** Vehicles	**Increase** %	**Toll Revenue** RMB'million	**Increase** %
Baojin Expressway	77,000	12	960	17
Tangjin Expressway	61,000	15	734	20
Changyi Expressway	73,000	1	707	2
Longcheng Expressway	21,300	19	413	33
Machao Expressway	26,600	19	265	17
Total	258,900	11	3,079	16

The total traffic volume and toll revenue of the Group's expressway projects reached 94 million vehicles and RMB3,079 million, respectively in 2018, representing an increase of 11% and 16%, respectively, comparing with that of 2017.

Overview of Major Projects

Baojin Expressway

In 2018, the traffic volume and toll revenue of Baojin Expressway increased by 12% and 17%, respectively, which are mainly attributable to the economic growth, Beijing-Tianjin-Hebei integration, setup of Xiongan New Area, the expansion work of a parallel direction expressway and implementation of control policy on heavy trucks in Beijing, leading those affected lorries passing through Baojin Expressway. These result in the increase in traffic volume and also the revenue.

An expressway connecting Baojin Expressway opened at the end of 2018. The project performance will not only be driven by the linkage between Hebei Province and Shanxi Province, but also further development of Xiongan New Area and the moderate economic growth of the local areas.

Tangjin Expressway

In 2018, the traffic volume and toll revenue of Tangjin Expressway increased by 15% and 20% respectively as compared with last year. The growth in toll revenue was mainly attributable to the growth in economy, the construction of Beijing-Tianjin-Hebei integration leading to the rising cargo throughput in and around the area, overloaded lorries management policy leading to lorries diverted to Tangjin Expressway from a competing national highway and increase the toll revenue in lorry traffic.

The traffic and toll revenue of the project is expected to be pushed up by the economic growth arising from transformation and upgrade in real economy of Beijing-Tianjin-Hebei area and the three provinces of Northeast China in the foreseeable future.

Changyi Expressway

Changyi Expressway recorded an increase of 1% and 2% in traffic volume and toll revenue, respectively in 2018. It was benefit from the regional economy growth and continuous development of the zones located along the expressway, leading to increase in traffic of both passenger and truck vehicles. However, certain traffic diverted from newly-opened inter-cities highway in nearby areas and the negative effect from the traffic capacity monitoring policy have partially offset the increase.

In 2019, it is expected that the continuous development of Changsha and its surrounding regions, and the implementation of traffic capacity monitoring policy will maintain a comparable revenue of the project.

Longcheng Expressway

The traffic volume and toll revenue of Longcheng Expressway were increased by 19% and 33%, respectively in 2018. It was benefited from the diversion of vehicles to Longcheng Expressway due to the closure and renovation works of an expressway near Taiyuan City, which led to the increases in traffic volume and toll revenue.

The northern and western extension lines connected with Longcheng Expressway has laid down construction time frame and is under active planning for construction, respectively. It is expected to be opened around 2022. The commencement of operation of such extension lines will enhance the overall traffic network in Greater Taiyuan metropolitan region including Longcheng Expressway, which will bring direct benefit and significant growth of economical result to the project in future.

Machao Expressway

The traffic volume and toll revenue of Machao Expressway were increased by 19% and 17%, respectively in 2018. It was mainly attributable to the expansion work of a competing parallel direction expressway leading vehicles diverted to other expressways including in Machao Expressway, and the continuous and rapid development trend in the Yangtze River Delta Region's economy, which led to increases in traffic volume and toll revenue.

It is expected that the connecting network of Machao Expressway will be enhanced, especially when Beiyanjiang Expressway is further extended to the west and expansion work of Hewu Expresssway, connected to Machao Expressway, is to be completed at the end of 2019. When these works are all completed, it will bring a promising growth to future revenue of the project.

(iii) INVESTMENT AND ASSET MANAGEMENT SEGMENT

In 2018, the Group has consolidated the businesses of Investment and Asset Management Segment, including our property fund, cultural, tourist and commercial, and entertainment and content development businesses. We have also newly commenced our business in providing content services as well as products. In 2018, the projects of investment and asset management segment (including joint venture projects) achieved property sales of RMB2,855 million, whilst profit of the investment and asset management segment reached HK$246 million.

Overview of Major Businesses

Property Fund Business

Property fund business was founded in June 2015, the total fund size under the Group's management was RMB10 billion by the end of 2018, and contributed a profit of HK$107 million for the year of 2018.

Cultural, Tourist and Commercial Business

The Group has acquired Meili Ancient Town in Wuxi and commenced the construction in 2018, and plans to launch to the market by the end of 2019. We have also completed the docking with the government regarding the planning and design of two other projects, and plan to commence construction in 2019. The Group will continue to develop a strong cultural and tourism team, develop and operate the "small town" projects, digging out the profit potentials, in order to prepare for the nationwide expansion of such business afterwards.

Entertainment and Content Development Business

The Group has completed the investment in Holovis in 2018, which made the Group become one of the world's leading providers of entertainment contents. We have commenced our business in providing content services, and have strengthened our cooperation with other IPs. We will further develop our content services, and will cooperate with the major theme park operators in 2019.

Property Development Business

The projects of investment and asset management segment (including joint venture projects) achieved property sales of RMB2,855 million in 2018, including the contracted sales of RMB2,659 million and outstanding subscribed sales of RMB196 million and contributed a profit of HK$176 million for the year of 2018.

As at 31 December 2018, the investment and asset management segment's land reserve was approximately 1,600,000sqm which was mainly located in Henan and Hubei province. As at 31 December 2018, total area of properties pre-sold but yet to be delivered was 230,000 sqm.

The Group will continue to explore through property funds and property related businesses, to locate stimulus for new opportunities and drivers for profit growth under controllable risks.

FINANCIAL REVIEW OF THE GROUP

Consolidated Statement of Profit or Loss

The table below extracted major items from the consolidated statement of profit or loss of the Group for each of the two years ended 31 December 2018 and 2017.

	2018 **HK$'million**	2017 HK$'million
Revenue	**22,365**	14,756
Gross profit margin	**45%**	40%
Gross profit	**10,064**	5,916
Interest and other income, net	**737**	704
Selling and operating expenses	**(1,579)**	(1,277)
Share of results of joint ventures and associates	**959**	461
Finance costs	**(684)**	(363)
Profit before taxation	**9,497**	5,441
Income tax expenses	**(5,798)**	(2,965)
Profit for the year	**3,699**	2,476
Profit attributable to:		
– Owners of the Company	**2,988**	1,944
– Owners of perpetual capital securities	**350**	247
– Non-controlling interests of subsidiaries	**361**	285
	3,699	2,476

Revenue and Gross Profit

Revenue and gross profit of the Group for the year were mainly contributed by the property business. The details are contained in the subsection headed "Financial Review" under "Property Segment".

Interest and Other Income, Net

The increase in interest and other net income was mainly attributable to the increase of loans provided by the Group to joint ventures. As such interest income increased significantly by HK$343 million as compared with last year. However, the Group recorded net exchange losses of approximately HK$213 million for 2018 (2017: net exchange gains of approximately HK$94 million) due to the depreciation of Renminbi during the year under the impact of increased trade tariffs of China and the U.S., which offset the increase in interest and other income.

Selling and operating expenses

The expenses increased during the year mainly due to the surge of property sales, which resulted in the corresponding increase in sales commission and promotional expenses. Moreover, with the acceleration in the development in the investment and asset management business, as well as the addition of a number of property development projects, including new projects acquired in Hangzhou, Jiaxing, Shunde and Kunshan, the operating expenses increased accordingly.

Share of results of joint ventures and associates

This represented mainly share of results of the infrastructure joint ventures of HK$664 million and share of results of property joint ventures and associates of HK$295 million of the Group during the year. The details are contained in the analysis of each business segment. In addition to satisfactory growth in toll road business, the increase of profit was also attributable to the completion and delivery of the property joint venture projects in Zhengzhou, Shanghai and Guangzhou during the year, which contributed profit to the Group.

Finance costs

The increase in financial costs was attributable to application of new accounting standards which increased the financial costs by approximately HK$249 million in 2018. The details are contained in the Consolidated Financial Statements. Moreover, the increase in total loan balances was attributable to the acquisition of new projects which resulted in the increase in total finance costs.

Income tax expenses

Income tax expenses mainly comprise profit tax, land appreciation tax and deferred tax. The increase in income tax expenses was mainly attributable to the surge of profits of properties delivered in 2018 as compared with the previous year.

Consolidated Statement of Financial Position

The table below summarised the major items of the consolidated statement of financial position of the Group as at 31 December 2018 and 2017.

	2018 **HK$'million**	2017 HK$'million
Non-current assets		
– Investments in joint ventures and associates (including shareholders' loans)	**20,955**	15,560
– Investment properties	**2,516**	2,584
– Other non-current assets	**1,114**	1,347
	24,585	19,491
Current assets		
– Inventory of properties (including prepayment for land leases)	**32,221**	30,403
– Bank balances and cash (including pledged bank deposits)	**11,922**	8,751
– Loans to joint ventures	**3,714**	6,622
– Other current assets	**6,510**	4,468
	54,367	50,244
Current liabilities		
– Creditors and accrued charges	**(9,825)**	(8,362)
– Loans from joint ventures and an associate	**(1,247)**	(779)
– Deposits from pre-sale of properties	**(16,288)**	(15,357)
– Bank and other borrowings	**(10,461)**	(4,575)
– Other current liabilities	**(5,256)**	(2,445)
	(43,077)	(31,518)
Non-current liabilities (including bank and other borrowings)	**(11,107)**	(16,603)
Total equity (Including perpetual capital securities)	**24,768**	21,614

Investments in Joint Ventures and Associates (including Shareholders' Loans)

It mainly represented the Group's interests in infrastructure joint ventures of HK$3,226 million and interests in property joint ventures and associates of HK$21,443 million, including shareholders' loans to the joint ventures. The increase in balance was mainly attributable to the payment of investment costs or land premiums prepaid for the acquisition of a number of new land parcels through joint ventures during the year. The details on new land parcels acquired through joint ventures are contained in the subsections headed "Land Reserves" and "New Projects" under "Property Segment".

The Group entered into the undertaking agreement with an independent third party in 2017. Pursuant to which, the Group undertakes for a prompt settlement of 50% of outstanding debts incurred by the property development joint venture, in which the Group held 50% equity interest. As at 31 December 2018, the carrying amount of the liabilities undertaken by the Group amounted to approximately HK$2,716 million (2017: HK$2,709 million). Save for this liability undertaking, details of other guarantees given by the Group to joint ventures were set out in the subsection headed "Contingent Liabilities" under "Financial Review".

Investment Properties

This comprises the investment properties including projects located in Changzhou, Suzhou, Zhengzhou and Tianjin. The details of which are set out in note 16 of the consolidated financial statements. As of 31 December 2018, the total floor area of the investment properties of the Group was around 193,000 sqm.

Inventory of Properties (including Prepayment for Land Leases)

The increase in inventory balance was mainly caused by the partial prepayment of land premiums of the new projects, as well as acceleration of the construction progress in 2018 in order to cope with the sales and delivery plan in the coming year.

Bank Balances and Cash (including Pledged Bank Deposits)

The increase in the bank balances and cash was mainly attributable to the significant increase in proceeds from sales of properties, but were partially offset by the investments or premiums paid for the acquisition of new projects. For the toll road business, the Group received capital contribution of HK$2,000 million from a new shareholder CVC to provide financial support for the development of the Group's expressway business.

Other Current Assets

Other current assets increased mainly due to the increase in land deposits paid and other deposits paid for investments as compared with last year, together with the increase in prepaid tax due to the significant increase in property sales.

Deposits from Pre-sale of Properties

The increase in deposits from pre-sale of properties was mainly due to the increase in both average selling price and area of the pre-sold properties as compared with last year. As at 31 December 2018, the total area of properties (including joint-venture projects) pre-sold but yet to be delivered was about 1,930,000 sqm.

Bank and Other Borrowings and Non-current Liabilities

Bank and other borrowings and non-current liabilities mainly represented offshore guaranteed senior notes, syndicated loans, domestic bonds and project development loans of the Group.

Details of the Group's loan profile are set out as follows:

	At 31 December	
	2018 **HK$'million**	2017 HK$'million
Repayable:		
On demand	**1,454**	380
Within one year	**9,007**	4,195
After one year but within two years	**1,991**	6,008
After two years but within five years	**7,978**	9,539
More than five years	**215**	271
Total Loans	**20,645**	20,393

Source of Loans

	2018	2017
Short term loans	**51%**	22%
Long term loans	**49%**	78%
	100%	100%

Nature of Debts

	2018	2017
Unsecured loans	**69%**	66%
Secured loans	**31%**	34%
	100%	100%

Currency Profile of Loans

	2018	2017
HKD	**7%**	4%
RMB	**45%**	50%
USD	**48%**	46%
	100%	100%

Type of Loans

	2018	2017
Guaranteed senior notes*	**36%**	36%
Other offshore loans	**19%**	14%
	55%	50%
Domestic bonds	**8%**	9%
Other onshore loans	**37%**	41%
	45%	50%
Total	**100%**	100%

* Excluding perpetual capital securities (classified as equity)

Interest Rates Basis

	2018	2017
Floating rate	**40%**	34%
Fixed rate	**60%**	66%
Total	**100%**	100%

Certain of the Group's loans were on a fixed rate basis, which included, among the others, the following notes:

(a) US$450 million 5% guaranteed senior notes (US$225 million was repurchased in early 2019 by the Group);

(b) RMB1,500 million 4.5% domestic bonds; and

(c) US$500 million 4.7% guaranteed senior notes.

Apart from the above loans, the Group also issued the following two offshore senior guaranteed perpetual capital securities in 2017:

(a) US$300 million 7.95% senior guaranteed perpetual capital securities; and

(b) US$300 million 7% senior guaranteed perpetual capital securities.

The net gearing ratio of the Group decreased significantly from 54% as of last year to 35% as at 31 December 2018. Meanwhile, the net capitalisation ratio dropped from 35% as of last year to 26%. Net gearing ratio represents the difference between the Group's total interest bearing borrowings and the bank balances and cash (including pledged bank deposits) ("Net Debt") to the total equity. The net capitalisation ratio represents the Net Debt to the sum of Net Debt and total equity.

Interest coverage for the year under review was 15.62 times (2017: 17.15 times).

In the first half of 2019, the Group also issued the following two guaranteed senior notes. The net proceeds would be used for the repurchase or repayment of the US$450 million 5% guaranteed senior notes due in 2019, and existing debts as well as the business development of the Group:

(a) US$400 million 7.75% guaranteed senior notes due 2021 issued in January; and

(b) US$400 million 7.875% guaranteed senior notes due 2023 issued in February.

Consolidated Statement of Cash Flows

The table below summarised the major items of the consolidated statement of cash flows of the Group for the years ended 31 December 2018 and 2017.

	2018 **HK$'million**	2017 HK$'million
Payment for land leases	**(7,089)**	(13,199)
Net cash from operating activities, other than payment for land leases	**10,128**	9,733
Net cash from (used in) investing activities, other than payment for land leases	**588**	(1,909)
Net cash (used in) from financing activities	**(563)**	5,680
Effect of change in exchange rates	**(317)**	330
Cash and cash equivalents at 1 January	**7,926**	7,291
Cash and cash equivalents at 31 December	**10,673**	7,926

Payment for Land Leases (including Payments Through Joint Ventures Arrangement)

Since 2017, more new projects are jointly developed with the Group's business partners. The details on new land parcels acquired through joint ventures are contained in the subsections headed "Land Reserves" and "New Projects" under "Property Segment". During the year, the payments of land premiums were mainly for projects newly acquired in Suzhou, Nanjing, Changzhou, Kunshan, Jinan, Wuxi and Tianjin.

Net Cash from Operating Activities, other than Payment for Land Leases

In 2018, the increase in net cash from operating activities comparing to last year was mainly caused by the satisfactory performance of the property market, which resulted in the significant increase in cash proceeds from the pre-sale and sale of properties.

Net Cash from (used in) Investing Activities, other than Payments for Land Leases

In last year, the high amount in net cash used in investing activities mainly represented the investments in the new asset management business. During the year, the net cash from investing activities is attributable to the increase in net cash inflow from acquisition or disposal of subsidiaries and cash distributed or dividends received from infrastructure joint venture projects.

Net Cash (used in) from Financing Activities

During the year, the net cash used in financing activities mainly represented repayment of loans, payment of interest and dividends, the net cash has offset the capital contribution by CVC in expressway business.

In last year, the higher amount in net cash from financing activities was attributable to the issuance of two offshore senior guaranteed perpetual capital securities in an aggregate principal of US$600 million.

Liquidity and Financial Resources

As at 31 December 2018, the equity attributable to owners of the Company was HK$17,398 million (2017: HK$15,635 million). Net assets per share attributable to owners of the Company was HK$23.22 (2017: HK$20.90).

As at 31 December 2018, the Group's total assets were HK$78,952 million (2017: HK$69,735 million) and bank balances and cash were HK$11,793 million (2017: HK$8,552 million), of which 75% was denominated in Renminbi and the remaining 25% was mainly denominated in US dollars or HK dollars.

During the year, the Group drew down various offshore bank loans and project development loans in Hong Kong and Mainland China in an aggregate amount equivalent to HK$5,161 million. The drawdown of new loans was offset by repayment of certain bank loans.

The Group continues to adopt prudent financing and treasury policies. The entire Group's financing and treasury activities are centrally managed and controlled. Implementation of the Group's related policies is made under collective and extensive considerations on liquidity risk, financing costs and exchange rate risk. Going forward, the Group will continue to maintain healthy treasury strategy and explore and broaden financing channels, so as to manage financing costs and enhance cash flows of the Group.

Charges on Assets

As at 31 December 2018, bank balances of HK$129 million (2017: HK$199 million) were pledged as security in favour of banks for certain mortgage facilities granted to customers of the Group's property projects and short-term credit facilities granted to the Group. In addition to these charged bank deposits, properties with carrying value of HK$3,909 million (2017: HK$5,515 million) were pledged as securities for certain loan facilities.

Exposure on Foreign Exchange Fluctuations and Interest Rates

The Group's borrowings are mainly denominated in Renminbi and US dollar but the cash flow is mainly generated from projects whose earnings are denominated in Renminbi. As a result, the Group is exposed to the foreign exchange risk on the fluctuation of Renminbi and US dollar. For minimising the impacts arisen from fluctuation of exchange rate between US dollar and Renminbi on the Group, the Group has entered into capped forward swap contracts and range forward swap contracts for parts of offshore US dollar debts. The components of relevant contracts were optimised during the year.

The Group's exposure to interest rate risk is mainly from fluctuation in interest rates relating to its borrowings denominated in Renminbi and US dollar. Although the monetary policies implemented by Mainland China and the US governments continue to have a major impact on the Group's results and operation, the Directors consider that the interest rate fluctuation caused by the fluidity and instability of the global economy and financial systems also has an impact on the operation of the Group.

Save for the aforesaid, the Group has no significant exposure to foreign exchange risk and interest rate risk. The Group will continue to closely monitor the above risks and may arrange hedging against the risks exposed as and when necessary and appropriate.

Contingent Liabilities

As at 31 December 2018, the Group had provided guarantees of HK$8,616 million (2017: HK$7,919 million) to banks in respect of the mortgage loans of the purchasers of the Group's properties. The guarantees would be released after the purchasers have pledged their property ownership certificates as securities to the banks for the mortgage loans granted.

In addition, the Group had provided guarantees of HK$4,449 million (2017: HK$2,611 million) for banking facilities granted to the joint ventures of the Group as at 31 December 2018.

Employees

Excluding the staff of joint ventures and associates, the Group had 4,158 employees as at 31 December 2018 (2017: 3,649 employees). Expenditure on staff (excluding Directors' emoluments and share-based payment) amounted to HK$1,048 million (2017: HK$800 million). Employees are remunerated according to their performance and contribution. Other employee benefits include provident fund, insurance, medical cover and training programs, as well as share option scheme. During the year, no share option was granted.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zen Wei Pao, William
(aged 71, Co-Chairman)

Mr. Zen has been re-designated as the Co-Chairman of the Company since May 2017. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is also the Chairman of Wai Kee Holdings Limited (HK stock code: 610), the controlling shareholder of the Company. Mr. Zen holds a Bachelor of Science degree and a Master of Business Administration degree. He is a member of both The Hong Kong Institution of Engineers and The Institute of Quarrying, the United Kingdom. He has extensive experience in civil engineering, construction material, infrastructure and property development in Hong Kong, Taiwan and the PRC. He is the brother of Mr. Zen Wei Peu, Derek and the father of Mr. Zen Chung Hei, Hayley.

Mr. Zen Wei Peu, Derek
(aged 66, Co-Chairman)

Mr. Zen has been appointed as the Co-Chairman of the Company since May 2017. He is a member of the Remuneration Committee of the Company. He is also the Vice Chairman and the Chief Executive Officer of Wai Kee Holdings Limited (HK stock code: 610) and the Chairman of Build King Holdings Limited (HK stock code: 240). He holds a Bachelor of Science degree in Engineering and a Master of Business Administration degree. He is a Chartered Engineer, a member of the Institution of Civil Engineers, the United Kingdom and a fellow of The Institute of Quarrying, the United Kingdom. Mr. Zen has over 40 years of experience in civil engineering industry. He is the brother of Mr. Zen Wei Pao, William and the uncle of Mr. Zen Chung Hei, Hayley.

Mr. Ko Yuk Bing
(aged 63, Deputy Chairman, Managing Director and Chief Executive Officer)

Mr. Ko joined the Company in early 1995. He holds a Master of Science degree in Engineering. He is a Chartered Engineer and a fellow of the Institution of Civil Engineers, the United Kingdom, The Institution of Structural Engineers, the United Kingdom and The Hong Kong Institution of Engineers. Mr. Ko has extensive experience in infrastructure and property development in Hong Kong and the PRC, and has over 29 years of experience in business development and operation in the PRC. He is the spouse of Ms. Chuk Wing Suet, Josephine.

Mr. Fong Shiu Leung, Keter
(aged 56, Finance Director)

Mr. Fong has been appointed as an Executive Director of the Company since July 2000. He holds a Bachelor of Arts degree in Accountancy. He is a Certified Practising Accountant in Australia and a fellow of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in auditing, accounting and business advisory profession. Prior to joining the Company, he was an audit principal of an international accounting firm.

NON-EXECUTIVE DIRECTORS

Mr. Mou Yong
(aged 56)

Mr. Mou has been appointed as a Non-executive Director of the Company since December 2015. He is an Executive Director of Shenzhen Investment Limited (HK stock code: 604). He is also a Director of 深業集團有限公司 and Shum Yip Holdings Company Limited. He held the positions of the head of Enterprise Leadership Personnel Management and the chief of General Office at The Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission. Mr. Mou graduated from Shaanxi University of Technology with a major in Chinese Language and Literature and holds an advanced Master of Business Administration degree from Peking University. He is a lawyer of The People's Republic of China and an arbitrator of The Shenzhen Arbitration Commission. Mr. Mou has extensive experience in corporate governance and administrative management.

Mr. Dong Fang
(aged 46)

Mr. Dong has been appointed as a Non-executive Director of the Company since December 2015. He is the Vice President of Shenzhen Investment Limited (HK stock code: 604). He is also the Vice President of 深業集團有限公司 and Shum Yip Holdings Company Limited. He is a Director of Shahe Industrial Co., Ltd. (Shenzhen stock code: SZ000014). Mr. Dong served as a general manager of the real estate department and investment department in Shenzhen Investment Limited, and a deputy general manager of 惠州廣河高速公路有限公司. He also worked in the Transport Commission of Shenzhen Municipality. Mr. Dong graduated from Hunan University and holds a Master degree and a senior engineer qualification. He has extensive experience in corporate management, property investment and operation management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Sai Yung
(aged 71)

Mr. Lau has been appointed as an Independent Non-executive Director of the Company since August 2004. He is the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is the sole-proprietor of Lau SY & Co., Certified Public Accountants, the Executive Chairman of Union Alpha CPA Limited, the Managing Director of Union Alpha CAAP Certified Public Accountants Limited, an Honorary Fellow of The Chinese University of Hong Kong, an Affiliated Fellow cum Overseer of Wu Yee Sun College, The Chinese University of Hong Kong and a Trustee of Chung Chi College, The Chinese University of Hong Kong. He also holds honorary positions in various schools, charitable and non-profit-making organisations. He was a Non-executive Director of Xinjiang Tianshan Wool Textile Co., Ltd. (currently known as Dezhan Healthcare Company Limited) (Shenzhen stock code: SZ000813) until his retirement by rotation as a Non-executive Director in October 2016. He holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong. He is a Certified Public Accountant (Practising), a fellow of the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and The Society of Chinese Accountants and Auditors, Hong Kong, an associate member of The Taxation Institute of Hong Kong, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom, and Certified Tax Adviser. Mr. Lau has over 40 years of experience in the profession of accounting.

Mr. Tse Chee On, Raymond (former name, Tse Chi On)
(aged 68)

Mr. Tse has been appointed as an Independent Non-executive Director of the Company since October 2012. He is the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. From 1989 to 1997, he was the Managing Director of Wheelock and Company Limited (HK stock code: 20), the Chairman and Managing Director of Wheelock Properties Limited, a Director of New Asia Realty & Trust Company, Limited and Realty Development Corporation Limited. Mr. Tse holds a Bachelor degree in Business Administration from the University of Montreal, Canada. He has over 35 years of experience in property development and investment, architectural planning and design consulting, property business consulting, international brand licensing and commercial property business in Hong Kong and the PRC.

Mr. Wong Wai Ho
(aged 69)

Mr. Wong has been appointed as an Independent Non-executive Director of the Company since May 2014. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is an Independent Non-executive Director of Hang Chi Holdings Limited (HK stock code: 8405). He is a consultant of Jumbo Land Resources Limited. Moreover, Mr. Wong was appointed by Jardine Fleming responsible for the management of the world's first ever direct investment focusing on finding investment opportunities in the Greater China region and was appointed by Kleinwort Benson and Advent International Corporation as a director and a managing director respectively. Prior to that, he worked for the Hong Kong Trade Development Council responsible for the promotion of Hong Kong's external trade for 13 years. Mr. Wong has been involved in the public services; he was a member of the Board of Trustees of Chung Chi College, The Chinese University of Hong Kong and a member of The Chinese History and Culture Educational Foundation for Youth. In the Expo 2010 Shanghai, Mr. Wong was appointed as the deputy pavilion director of the World Trade Centers Association Pavilion. Mr. Wong holds a Bachelor degree in Business Administration (major in accounting) from The Chinese University of Hong Kong and a Master in Law degree from the People's University of China (also known as Renmin University of China). He has extensive experience in trade promotion, fund investment and investment consultancy.

Mr. Zhang Yongliang
(aged 51)

Mr. Zhang has been appointed as an Independent Non-executive Director of the Company since February 2015. Mr. Zhang is a partner of King and Wood Mallesons ("K&W") in charge of Securities Group as well as a member of the management committee of K&W. Mr. Zhang also serves as a member of the Fourth Listing Committee of Shanghai Stock Exchange and served as a member of the Fourth and Fifth Review Committee for Mergers and Acquisitions and Restructuring of listed Corporations under China Securities Regulatory Commission. Mr. Zhang has participated in various listings and mergers and acquisitions of state-owned enterprises and start-up companies in the PRC, Hong Kong, the United States (on both the New York Stock Exchange (NYSE) and National Association of Securities Dealers Automatic Quotation (NASDAQ)), Singapore, Vancouver and Australia. He holds a Bachelor of Law degree from Renmin University of China, a Master of Law degree from Peking University and his second Master of Law degree from University of California at Berkeley and was admitted as a Chinese lawyer in 1995. Mr. Zhang has extensive experience in securities, mergers and acquisitions, and international investment, and has handled engagements in various industries including energy, real estate, automotive, manufacturing, pharmaceuticals, food, internet technologies and entertainment.

SENIOR MANAGEMENT

Ms. Chuk Wing Suet, Josephine
(aged 47)

Ms. Chuk, joined the Group in 1994, is a Deputy Chief Operating Officer of the Group and a Director of RK Properties Holdings Limited, and responsible for the property development projects in Eastern China. She holds a Bachelor of Social Science degree and a Master of Business Administration degree. Ms. Chuk has over 25 years of experience in business investment, operation, development and promotion in Hong Kong and the PRC. She is the spouse of Mr. Ko Yuk Bing.

Mr. Zen Chung Hei, Hayley
(aged 44)

Mr. Zen, joined the Group in 2006, is the Executive Director of the Investment and Asset Management Division. He holds a Bachelor of Commerce degree in Accounting, a Bachelor of Science degree in Computer Science and a Master of Business Administration degree. He is a member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Accountants Australia and New Zealand. Mr. Zen has 23 years of experience in finance, accounting, business investment and development in the United States, Hong Kong and the PRC. He is the son of Mr. Zen Wei Pao, William and the nephew of Mr. Zen Wei Peu, Derek.

Mr. Zhang Nan
(aged 46)

Mr. Zhang, joined the Group in 2007, is the regional Director of the property development projects in Suzhou, Wuxi and Zhenjiang. He holds a Bachelor of Engineering Management degree and an Executive Master of Business Administration degree, and is a Registered Costing Engineer in the PRC. Mr. Zhang has over 23 years of experience in property development and management in the PRC involving more than 30 property projects including residential and commercial office buildings.

Ms. Diao Lu, Amy
(aged 44)

Ms. Diao, joined the Group in 2007, is the regional Director of the property development projects in pan-Beijing and Shandong, and oversees the corporate communication function of the Group. She holds a Bachelor of International Finance degree and an Executive Master of Business Administration degree. Ms. Diao has substantial years of experience in managerial positions in property development companies as well as Fortune 500 multi-national companies, in particular, in the area of human resources and corporate communication and public affairs.

Mr. Chu Kwok Kit
(aged 58)

Mr. Chu, joined the Group in 2018, is the regional Director overseeing the Hong Kong property development projects. He holds a Bachelor of Arts in Architectural Studies degree and a Bachelor of Architecture degree. He is an Authorized Person (List of Architect), a Registered Architect in Hong Kong and a member of The Hong Kong Institute of Architects. He has over 32 years of experience in property development industry. Prior to joining the Group, Mr. Chu worked in a well-known property development company for 26 years.

Mr. Ho Ting Fung, Albert
(aged 65)

Mr. Ho, joined the Group in 2011, is the Senior Vice President of the Group overseeing the Design Centre. He holds a Bachelor of Architecture degree and a Bachelor of Arts in Architectural Studies degree. He is an Authorised Person (List of Architect), a Registered Architect in Hong Kong and a fellow of The Hong Kong Institute of Architects. He has over 39 years of experience in the property development industry including experience in managerial positions. Prior to joining the Group, Mr. Ho worked in a renowned international architectural firm for 14 years and in well-known property development companies for 17 years.

Mr. Zhao Min
(aged 49)

Mr. Zhao, joined the Group in 2011, is the deputy regional Director of the property development projects in Tianjin. He holds a Bachelor degree in Industrial and Civil Engineering and is a Registered Engineer in the PRC. He has 27 years of engineering and project management experience in the PRC and Singapore. Prior to joining the Group, Mr. Zhao worked for several renowned property developers.

Mr. Tan Qi
(aged 51)

Mr. Tan, joined the Group in 2010, is the deputy regional Director of the property development projects in Guangzhou, Zhengzhou, Luoyang and Shenzhen. He holds a Bachelor degree in Civil Engineering and a Master degree of Management, and is a senior engineer at the professor level in the PRC and a member of The Chartered Institute of Building of the United Kingdom. Mr. Tan has 14 years of experience in property development and management in the PRC and 15 years of experience in overseas general contracting and property development.

Mr. Lee Tak Fai, Kennedy
(aged 53)

Mr. Lee, joined the Group in 2007, is the Senior Vice President of the Group responsible for the corporate finance and legal functions. He holds a Bachelor of Social Science degree and a Master of Science degree in Finance. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has over 27 years of experience in accounting, assurance, financing and business advisory services. Prior to joining the Group, Mr. Lee worked for a number of international accounting firms and was previously the financial controller and the assistant general manager of the corporate finance department of several companies listed on the main board of the Stock Exchange.

Mr. Luk Ting Nai, Daniel
(aged 48)

Mr. Luk, first joined the Group in 2003, is the Senior Vice President of the Group overseeing the Land Development Centre. He holds a Bachelor of Arts degree in Economics and Politics. Mr. Luk has over 19 years of management experience in the toll road and property development industries in the PRC. Prior to joining the Group, Mr. Luk worked in well-known financial institutions and a property development company.

Mr. Ng Fun Hung
(aged 46)

Mr. Ng, joined the Group in 2011, is the Senior Vice President of the Group responsible for the accounting, tax and information technology functions. He holds a Bachelor of Business Administration degree and a Master of Applied Finance degree. He is a fellow of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst of the United States, a Certified Information System Auditor of the United States and a Chartered Governance Professional of the United Kingdom. Mr. Ng has over 22 years of experience in accounting, assurance and financial management. Prior to joining the Group, Mr. Ng worked for an international accounting firm and was previously the financial controller of a listed company in Hong Kong.

Mr. Gao Da Peng
(aged 41)

Mr. Gao, joined the Group in 2007, is the Senior Vice President and the General Manager of Huzhe region. He holds an Executive Master of Business Administration degree. Mr. Gao has 19 years of experience in property development, operation and sales management in the PRC involving more than 15 property projects including residential and commercial office buildings.

Mr. Fu Qi
(aged 42)

Mr. Fu, joined the Group in 2014, is the Vice President of the Group responsible for the Sales and Marketing Centre. Prior to that, Mr. Fu held important sales positions in several renowned property developers. Altogether, he has 20 years of experience in property sales management in the PRC. Mr. Fu holds a Bachelor of Civil Engineering degree from Tsinghua University and a Master of Business Administration degree from Fudan University and is a Registered Real Estate Valuer and a Registered Real Estate Agent in the PRC.

Mr. Zhai Xiaoyi, Andy
(aged 40)

Mr. Zhai, joined the Group in 2017, is the Chief Investment Officer – Toll Road Division of the Group overseeing the toll road investment activities. He holds a Bachelor of Accounting degree, a Master of Business Administration and a Master of Arts in International Affairs degree. He is a Chartered Financial Analyst, a Certified General Accountant of Canada and a Certified Public Accountant in the State of Delaware, the United States. Mr. Zhai has over 16 years of experience in finance and investment area.

Directors' Report

The Directors of the Company present herewith the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group, including the joint ventures and associates, are the operation of property development, investment and asset management businesses in the PRC and Hong Kong and the investment in, development, operation and management of toll road projects in the PRC. Details of the Group's principal subsidiaries, joint ventures and associates are set out in notes 47, 18 and 17 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages F-7 and F-8 respectively.

An interim dividend of HK$0.30 per share amounting to approximately HK$225 million was paid to the shareholders of the Company in September 2018.

The Directors of the Company recommend the payment of a final dividend of HK$0.88 per share to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 28 May 2019 amounting to approximately HK$660 million subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). It is expected that the final dividend will be paid on or before Friday, 28 June 2019, if approved.

CLOSURES OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming AGM

The register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 15 May 2019 for registration.

To qualify for the proposed final dividend

The register of members of the Company will also be closed from Monday, 27 May 2019 to Tuesday, 28 May 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 24 May 2019 for registration.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Financial Highlights", "Chairman's Statement", "Chief Executive Officer's Report", "Management Discussion and Analysis", "Corporate Governance Report", "Consolidated Financial Statements" and "Financial Summary" on pages 2 to 3, pages 4 to 7, pages 8 to 9, pages 12 to 49, pages 71 to 84, pages F-7 to F-123 and page F-124 respectively. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in notes 26 and 27 to the consolidated financial statements respectively.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page F-11 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

In addition to the accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus, if:

(i) it is, or would after the payment 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.

The reserves of the Company which were available for distribution to the shareholders of the Company as at 31 December 2018 were approximately HK$3,774 million.

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 15 to the consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTIES FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements. Particulars of the investment properties and properties for sale are shown under the section headed "Major Projects Information" of "Management Discussion and Analysis".

GUARANTEED SENIOR NOTES

RKPF Overseas 2019 (B) Limited, a wholly-owned subsidiary of the Company, issued US$400 million 7.75% guaranteed senior notes due 2021 in January 2019. The net proceeds of the issue of the notes were used for the purchase by the Company of a portion of the US$450 million 5% guaranteed senior notes due 2019 (the "2019 Notes") and/or repayment at maturity of the 2019 Notes, for the refinancing of other existing indebtedness and for general corporate purposes.

RKPF Overseas 2019 (A) Limited, a wholly-owned subsidiary of the Company, issued US$400 million 7.875% guaranteed senior notes due 2023 in February 2019. The net proceeds of the issue of the notes were used for the repurchase or repayment at maturity of all or a portion of the then outstanding US$450 million 5% guaranteed senior notes due 2019, for the refinancing of other existing indebtedness and for general corporate purposes.

BANK AND OTHER BORROWINGS

Particulars of the bank and other borrowings of the Group are set out in note 28 to the consolidated financial statements.

RETIREMENT BENEFIT PLANS

Particulars of the retirement benefit plans of the Group are set out in note 35 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page F-124 of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate amount of purchases and revenue from property business attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and revenue from property business respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Zen Wei Pao, William *(Co-Chairman)*
Zen Wei Peu, Derek *(Co-Chairman)*
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*
Fong Shiu Leung, Keter *(Finance Director)*

Non-executive Directors:

Mou Yong
Dong Fang

Independent Non-executive Directors:

Lau Sai Yung
Chow Ming Kuen, Joseph (passed away on 13 October 2018)
Tse Chee On, Raymond
Wong Wai Ho
Zhang Yongliang

Pursuant to Bye-law 87 of the Company's Bye-laws (the "Bye-laws"), Messrs. Ko Yuk Bing, Fong Shiu Leung, Keter, Mou Yong and Dong Fang will retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Connected Transaction" and "Continuing Connected Transactions", there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or 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.

The Company has arranged appropriate directors and officers liability insurance coverage for its Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors of the Company are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to Rule 8.10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Name of Directors	Name of entities	Description of principal activities	Nature of interest of the Directors in the entities
Zen Wei Pao, William	CMP Investment Group Limited	Property development in the PRC	Director and shareholder
Mou Yong	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
Dong Fang	Shenzhen Investment Limited group of companies (including its holding companies)	Property development, investment and management in the PRC	Director
	Shahe Industrial Co., Ltd.	Property development, investment and management in the PRC	Director

DISCLOSURE OF INTERESTS

Directors' Interests and Short Positions

As at 31 December 2018, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(I) Shares

Name of Directors	Nature of interest	Notes	Number of shares held		Percentage of holding
			Long position	Short position	% (Note 3)
Zen Wei Peu, Derek	Personal	1 & 2	24,649,000	–	3.29
Fong Shiu Leung, Keter	Personal	1	260,000	–	0.03
Lau Sai Yung	Personal	1	605,000	–	0.08
Tse Chee On, Raymond	Personal	1	100,000	–	0.01

Notes:

1. Long position in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Included in the balance is 1,000,000 shares of the Company held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

3. The percentage was calculated based on 749,336,566 shares of the Company in issue as at 31 December 2018.

(II) Underlying Shares – Share Options

The share option scheme was adopted by the Company on 8 May 2013. Particulars of the share option scheme are set out in note 27 to the consolidated financial statements.

A summary of movements during the year under the share option scheme was as follows:

Name	Notes	Number of share options					Weighted average closing price HK$ (Note 2)
		Balance at 01.01.2018	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31.12.2018	
Director							
Tse Chee On, Raymond	1	100,000	–	(100,000)	–	–	16.50
Total		100,000	–	(100,000)	–	–	
Others							
Employees	1	1,100,000	–	(1,100,000)	–	–	15.64
Total		1,100,000	–	(1,100,000)	–	–	
Grand Total		1,200,000	–	(1,200,000)	–	–	

Notes:

1. The share options under this issue were granted on 28 May 2013 with an exercisable period from 29 May 2013 to 28 May 2018 and an exercise price of HK$7.13 pursuant to the share option scheme adopted on 8 May 2013.

2. This represents the weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised.

(III) Debenture of Associated Corporation

Name of Director	Name of company	Nature of interest	Type of debenture	Principal amount held
Zen Wei Peu, Derek	RKI Overseas Finance 2017 (A) Limited	Personal	US$300 million 7% senior guaranteed perpetual capital securities	US$800,000 (note) (long position)

Note:

A principal amount of US$400,000 of US$300 million 7% senior guaranteed perpetual capital securities was held by Ms. Luk Chan, the spouse of Mr. Zen Wei Peu, Derek.

Save as disclosed above, none of the Directors of the Company or their associates had any interests or short positions in any 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 by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors of the Company or their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the subsection headed "Underlying Shares – Share Options" of "Disclosure of Interests", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as mentioned earlier, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of the shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2018, the interests or short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Nature of interest	Number of shares held Long position (Note 1)	Number of shares held Short position	Percentage of holding % (Note 11)
Wai Kee Holdings Limited (Note 2)	Interest in controlled corporation	320,646,428	–	42.79
Wai Kee (Zens) Holding Limited (Note 3)	Interest in controlled corporation	320,646,428	–	42.79
Groove Trading Limited (Note 4)	Beneficial owner	65,918,000	–	8.80
Wai Kee China Investments (BVI) Company Limited (Note 4)	Interest in controlled corporation	251,728,428	–	33.59
Wai Kee China Investments Company Limited (Note 5)	Interest in controlled corporation	251,728,428	–	33.59
ZWP Investments Limited (Note 6)	Beneficial owner	251,728,428	–	33.59
深業集團有限公司 (Shum Yip Group Limited*) (Note 7)	Interest in controlled corporation	202,334,142	–	27.00
Shum Yip Holdings Company Limited (Note 8)	Interest in controlled corporation	202,334,142	–	27.00
Shenzhen Investment Limited (Note 9)	Interest in controlled corporation	202,334,142	–	27.00
Hover Limited (Note 10)	Beneficial owner	202,334,142	–	27.00

Notes:

1. Long position in the shares of the Company (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. Wai Kee Holdings Limited is deemed to be interested in the shares of the Company through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Build King Management Limited and Build King Civil Engineering Limited, which beneficially held 3,000,000 shares of the Company.

3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee Holdings Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee (Zens) Holding Limited.

4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited.

5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of Wai Kee China Investments Company Limited.

6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited. Both Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek are directors of ZWP Investments Limited.

7. 深業集團有限公司 (Shum Yip Group Limited*) (incorporated in the PRC) is deemed to be interested in the shares of the Company through its 100% interests in Shum Yip Holdings Company Limited (incorporated in Hong Kong).

8. Shum Yip Holdings Company Limited (incorporated in Hong Kong) is deemed to be interested in the shares of the Company through its approximately 62.91% interests in Shenzhen Investment Limited.

9. Shenzhen Investment Limited is deemed to be interested in the shares of the Company through its interests in its wholly-owned subsidiary, namely Hover Limited.

10. Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.

11. The percentage was calculated based on 749,336,566 shares of the Company in issue as at 31 December 2018.

Save as disclosed above, no other person (other than the Directors of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

* for identification purpose only

CONNECTED TRANSACTION

On 28 March 2018, each of the Company and 南通三建控股有限公司 (Nantong Sanjian Holdings Co., Ltd.*) ("Nantong Sanjian") entered into the Guarantee Agreement in favour of Everbright Xinglong Trust Co., Ltd. ("Everbright Xinglong"). Nantong Sanjian through 上海鴻麥房地產有限公司 (Shanghai Hongmai Property Co., Ltd.*) ("Shanghai Hongmai") (an indirect wholly-owned subsidiary of Nantong Sanjian) holds 40% equity interests in 上海雋築置業有限公司 (Shanghai Junzhu Real Estate Ltd.*) ("Shanghai Junzhu") and 上海雋通置業有限公司 (Shanghai Juntong Real Estate Co., Ltd.*) (each a subsidiary of the Company) respectively.

Pursuant to the Guarantee Agreement, the Company and Nantong Sanjian jointly and severally guarantee a loan in the principal amount of RMB850 million with a term of three years commencing from 28 March 2018 provided by Everbright Xinglong to Shanghai Junzhu (with a registered capital of RMB60 million, indirectly owned as to 60% and 40% by the Company and Nantong Sanjian respectively) to finance the development of a parcel of land situated at Xiaokunshan Town, Songjiang District, Shanghai, the PRC.

Each of 上海雋業房地產開發有限公司 (Shanghai Junye Properties Developments Co., Ltd.*) (an indirect wholly-owned subsidiary of the Company) and Shanghai Hongmai also provided a shareholders' loan in an aggregate amount of approximately RMB1,703 million in proportion to their equity interests in Shanghai Junzhu to finance its general working capital.

* for identification purpose only

CONTINUING CONNECTED TRANSACTIONS

On 24 November 2017, the Company and Build King Holdings Limited ("Build King"), a non-wholly owned subsidiary of Wai Kee Holdings Limited which is the substantial shareholder of the Company, entered into the Framework Agreement with a term of three years starting from 1 January 2018 in respect of the engagement of member(s) of Build King and its subsidiaries (the "Build King Group"), subject to successful tender, as the main contractor for the construction works of the Group's present and future property development projects in Hong Kong. The annual caps under the Framework Agreement for the three years ending 31 December 2020 are HK$650 million, HK$2,460 million and HK$2,880 million respectively. The annual caps were approved by the independent shareholders at the Company's special general meeting held on 15 December 2017.

By entering into agreements with Build King Group in 2018, the Company has engaged the Build King Group as the main contractor for the construction works of the Group's Yuen Long Project and as for advance works of the Group's Wong Chuk Hang Project respectively.

For the financial year ended 31 December 2018, the aggregate amount of the continuing connected transactions was approximately HK$543,067,000. Particulars of the transactions are set out in note 45 to the consolidated financial statements.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) normal commercial terms or better; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Group's listed securities during the year ended 31 December 2018.

Subsequent to the reporting year and up to the date of this report, the Company purchased an aggregate principal amount of US$224,743,000 of US$450 million 5% guaranteed senior notes due 2019 (the "Notes") issued by RKI Overseas Finance 2016 (A) Limited under a tender offer. Following the purchase, the Notes in an aggregate principal amount of US$224,743,000 were cancelled on 23 January 2019 and the Notes in an aggregate principal amount of US$225,257,000 remain outstanding.

DONATIONS

During the year, donations made by the Group were approximately HK$6.96 million.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares of the Company on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee of the Company on the basis of merit, qualification and competence.

The emoluments of all Executive Directors of the Company are decided by the Remuneration Committee, having regard to the Company's performance, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the Directors of the Company and eligible employees, details of the scheme are set out in note 27 to the consolidated financial statements.

CONTINUING DISCLOSURE OF THE LISTING RULES

In compliance with continuing disclosure obligations of the Listing Rules, the following information is disclosed:

1. Pursuant to Rule 13.22 of the Listing Rules:

   (a) A summary of aggregate financial information of the affiliated companies, based on the financial statements prepared under the accounting principles generally accepted in Hong Kong, as at 31 December 2018, is as follows:

	At 31 December 2018 HK$'million
Statement of Financial Position	
Non-current assets	**9,485**
Current assets	**37,659**
Current liabilities	**(23,618)**
Net current assets	**14,041**
Non-current liabilities	**(13,704)**
Net assets	**9,822**

(b) Details of the affiliated companies are as follows:

	The Group's attributable interest in the affiliated companies	Amount of guarantee given by the Group HK$'million	Amount of commitment for amounts advanced or to be advanced by the Group HK$'million
Kunshan Hongjinjun Properties Developments Co., Ltd.*	49%	–	710
Jinan Juanmao Real Estate Co., Ltd.*	50%	–	276
Hangzhou Junyuan Real Estate Co., Ltd.*	49%	–	372
Suzhou Jingshang Properties Developments Co., Ltd.*	33%	–	339
Hebei Jiantou Road King Urbanization Construction & Development Co., Ltd.*	45%	–	456
Tianjin Junda Corporate Management Co., Ltd.*	50%	–	671
Nanjing Jingrui Properties Investments Co., Ltd.*	25%	–	345
Shum King Company Limited	50%	634	2,367
Jinan Yajun Properties Developments Co., Ltd.*	50%	–	275
Foshan Qihui Properties Co., Ltd.*	49%	–	513
Jinan Junsheng Properties Developments Co., Ltd.*	50%	–	484
Changzhou Yajing Properties Developments Co., Ltd.*	49%	–	490
Suzhou Juntai Properties Developments Co., Ltd.*	33.3%	–	361
Changzhou Hongyin Properties Developments Co., Ltd*	49%	–	31
Wuxi Jinfeng Investments Co., Ltd.*	33.3%	167	–

	The Group's attributable interest in the affiliated companies	Amount of guarantee given by the Group HK$'million	Amount of commitment for amounts advanced or to be advanced by the Group HK$'million
Holovis International Ltd	40%	–	52
Hunan Changyi Expressway Co., Ltd.* (note)	43.17%	–	46
Jinzhong Longcheng Expressway Co., Ltd.* (note)	45%	–	18
Anhui Machao Expressway Co., Ltd.* (note)	49%	690	–
		1,491	7,806

Note:

As at 31 December 2018, the interests in those infrastructure joint ventures are indirectly held by RKE, which is 75% held by the Group.

* for identification purpose only

2. Pursuant to Rule 13.18 of the Listing Rules:

Guaranteed Senior Notes and Senior Guaranteed Perpetual Capital Securities

As at the date of this report, the Company is obliged to make an offer to repurchase and redeem the following guaranteed senior notes and senior guaranteed perpetual capital securities then outstanding at a rate equal to 101% of the principal amount, plus accrued and unpaid interest, if any, up to (but not including) the date of repurchase, and together with any distribution accrued to the date fixed for redemption, including any deferred distribution and any additional distribution payable on it, respectively upon the occurrence of a change of control triggering event and a decline in the rating of the notes and the securities:

(a) US$450 million 5% notes due 2019 (issued in August 2016);

(b) US$500 million 4.7% notes due 2021 (issued in September 2016);

(c) US$400 million 7.75% notes due 2021 (issued in January 2019);

(d) US$400 million 7.875% notes due 2023 (issued in February 2019);

(e) US$300 million 7.95% perpetual capital securities (issued in February 2017); and

(f) US$300 million 7% perpetual capital securities (issued in June 2017).

Subsequent to the reporting year and up to the date of this report, the Company purchased an aggregate principal amount of US$224,743,000 of US$450 million 5% notes due 2019. For details, please refer to the section headed "Repurchase, Sale or Redemption of Listed Securities of the Group".

3. Pursuant to Rule 13.51B(1) of the Listing Rules:

Upon specific enquiry by the Company, save as disclosed below, there is no change in the information of the Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Directors	Details of changes
Mr. Zen Wei Pao, William	His annual basic salary will be revised from HK$7,323,600 to HK$7,616,400 with effect from 1 April 2019.
Mr. Zen Wei Peu, Derek	His annual basic salary will be revised from HK$4,632,000 to HK$4,816,800 with effect from 1 April 2019.
Mr. Ko Yuk Bing	His annual basic salary will be revised from HK$6,260,400 to HK$6,511,200 with effect from 1 April 2019.
Mr. Fong Shiu Leung, Keter	His annual basic salary will be revised from HK$3,744,000 to HK$4,005,600 with effect from 1 April 2019.
Mr. Tse Chee On, Raymond	He was appointed as the Chairman of the Remuneration Committee of the Company with effect from 7 November 2018.
Mr. Wong Wai Ho	He was appointed as a member of the Remuneration Committee of the Company with effect from 7 November 2018.

Save as disclosed above, there is no other continuing disclosure required to be made by the Company pursuant to Chapter 13 of the Listing Rules.

AUDITOR

A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor.

On behalf of the Board
Zen Wei Pao, William
Co-Chairman

Hong Kong, 19 March 2019

CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the smooth and effective operation of a company and can enhance the shareholders' value as well as safeguard the shareholders' interests. The Company places strong emphasis on an effective Board of Directors, accountability, sound internal control, appropriate risk-assessment, monitoring procedures and transparency to all shareholders and stakeholders.

Throughout the year of 2018, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules.

Dr. Chow Ming Kuen, Joseph ("Dr. Chow"), an Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company, passed away on 13 October 2018. Following the passing away of Dr. Chow, the Remuneration Committee of the Company does not fulfill the requirement under Rule 3.25 of the Listing Rules that a remuneration committee shall be chaired by an independent non-executive director and comprise a majority of independent non-executive directors.

On 7 November 2018, Mr. Tse Chee On, Raymond and Mr. Wong Wai Ho, the Independent Non-executive Directors of the Company, were appointed as the Chairman and a member of the Remuneration Committee of the Company respectively. Following their appointments, the Remuneration Committee is chaired by an Independent Non-executive Director and comprises a majority of Independent Non-executive Directors which fulfills the requirement under Rule 3.25 of the Listing Rules.

THE BOARD

Composition

The Board has a balanced composition of members to ensure independent viewpoints in all discussions. As at the date of this annual report, the Board comprises ten Directors including four Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. Board members are listed below:

Board of Directors

Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Zen Wei Pao, William *(Co-Chairman)*	Mou Yong	Lau Sai Yung
Zen Wei Peu, Derek *(Co-Chairman)*	Dong Fang	Tse Chee On, Raymond
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*		Wong Wai Ho Zhang Yongliang
Fong Shiu Leung, Keter *(Finance Director)*		

With the expertise contributed by each of the Directors of the Company, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details of the Directors of the Company are set out in the section headed "Directors and Senior Management" of this annual report. An updated list of the Directors and their respective roles and functions are maintained on the websites of the Company and the Stock Exchange.

Save as disclosed above, during the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors including one Independent Non-executive Director with accounting or related financial management expertise and the number of Independent Non-executive Directors representing at least one-third of the Board.

There is no financial, business and family relationship among members of the Board, other than Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek being brothers, and between each of the Co-Chairmen and the Chief Executive Officer.

Appointment and Re-election

Pursuant to the Bye-laws, the Board may appoint a director either to fill a casual vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

Non-executive Directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. All the Non-executive Directors and Independent Non-executive Directors of the Company entered into letters of appointment separately with the Company for a specific term with a range of not more than three years, subject to re-election at the general meeting.

Independence of Independent Non-executive Directors

The Company has received written confirmation of independence from each of the Independent Non-executive Directors of the Company in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

Role and Delegation

The primary role of the Board is to protect and enhance long-term shareholders' value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company's affairs in pursuit of the Group's strategic objectives.

The Board, led by the Co-Chairmen, approves and monitors the Group's strategies and policies, evaluates the performance of the Group and supervises the management. In addition, the Board reserved for its decisions all major matters of the Company, including approval and monitoring of budgets, internal control and risk management systems, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, replenishment of land reserves, other significant financial and operational matters.

In order to enhance efficiency, the Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the existing business in toll road and property development of the Group. The management of the Group is therefore responsible for day-to-day operations of the Group under the supervision of the Chief Executive Officer.

The Board also ensures that good corporate governance policies and practices are implemented within the Group and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2018 and up to the date of this annual report, the Board reviewed the Company's compliance with the Code for the years ended 31 December 2017 and 2018 together with six months ended 30 June 2018, and the Company's disclosures in the Corporate Governance Reports for the years ended 31 December 2017 and 2018.

The Group has adopted a number of policies and procedures of the Company, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and individual departmental handbooks to ensure good corporate governance practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

Board Meetings

The Board meets regularly at least four times each year. In addition, ad hoc Board meetings are held for major and important matters in which Board resolutions are required. The Directors of the Company play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance records of individual Directors of the Company at the Board meetings, the meetings of three Board Committees, namely Audit, Nomination and Remuneration Committees and the annual general meeting held on 18 May 2018 are set out below:

	Meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting held on 18 May 2018**
Executive Directors					
Zen Wei Pao, William	4/4	–	1/1	1/1	1/1
Zen Wei Peu, Derek[1]	4/4	–	–	–	1/1
Ko Yuk Bing	4/4	–	–	–	1/1
Fong Shiu Leung, Keter	4/4	–	–	–	1/1
Non-executive Directors					
Mou Yong	2/4	–	–	–	0/1
Dong Fang	2/4	–	–	–	0/1
Independent Non-executive Directors					
Lau Sai Yung	4/4	2/2	1/1	1/1	1/1
Chow Ming Kuen, Joseph[2]	3/3	2/2	1/1	1/1	1/1
Tse Chee On, Raymond[3]	4/4	2/2	–	1/1	1/1
Wong Wai Ho[4]	4/4	2/2	1/1	–	1/1
Zhang Yongliang	4/4	–	–	–	1/1

Notes:

1. Mr. Zen Wei Peu, Derek was appointed as a member of the Remuneration Committee of the Company with effect from 28 March 2018. No meeting of the Remuneration Committee took place between 28 March 2018 and 31 December 2018.

2. Dr. Chow Ming Kuen, Joseph passed away on 13 October 2018.

3. Mr. Tse Chee On, Raymond was appointed as the Chairman of the Remuneration Committee of the Company with effect from 7 November 2018.

4. Mr. Wong Wai Ho was appointed as a member of the Remuneration Committee of the Company with effect from 7 November 2018. No meeting of the Remuneration Committee took place between 7 November 2018 and 31 December 2018.

"–": Not Applicable

Notice of regular Board meetings is given to all Directors of the Company at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials, including relevant background information and supporting analysis, are normally sent to all Directors at least three days before the regular Board meetings (and so far as practicable for such other Board meetings) to ensure that they have sufficient time and attention to the affairs of the Company.

In order to have an effective Board, all Directors of the Company are provided with information on activities and developments in the Group's business on a monthly basis to keep them apprised of the latest developments of the Group. They have full access to information on the Group and are able to invite management and professional advisers, where appropriate, to attend Board meetings.

All Directors of the Company have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board and Board Committees' meetings. Such minutes are open for inspection by the Directors.

Each Director of the Company is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by the Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he (or his associate) is materially interested nor shall he be counted in the quorum present at the meeting.

Induction and Continuous Professional Development

Directors of the Company should keep abreast of their collective responsibilities. Each newly appointed Director would receive a comprehensive induction package covering the Group's business and the statutory and regulatory obligations of a director of a listed company. The Group also provides seminars and trainings to develop and refresh the Directors' knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Group provided seminars, training courses and site visits to the Directors of the Company and management.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. According to the training records maintained by the Company, the trainings received by each of the Directors of the Company during the period from 1 January 2018 to 31 December 2018 are summarised as follows:

Name of Directors	Type of continuous professional development
Executive Directors	
Zen Wei Pao, William	A,B,C
Zen Wei Peu, Derek	B,C
Ko Yuk Bing	B,C
Fong Shiu Leung, Keter	B,C
Non-executive Directors	
Mou Yong	B,C
Dong Fang	B,C
Independent Non-executive Directors	
Lau Sai Yung	B,C
Tse Chee On, Raymond	B,C
Wong Wai Ho	B,C
Zhang Yongliang	B,C

A: giving talks at seminars and/or conferences and/or forums
B: attending seminars and/or conferences and/or forums and/or site visits
C: reading newspapers, newsletters, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.

Dr. Chow Ming Kuen, Joseph, an Independent Non-executive Director of the Company, passed away on 13 October 2018.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

Co-Chairmen and Chief Executive Officer

The Co-Chairmen of the Company are Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek. The Chief Executive Officer is Mr. Ko Yuk Bing.

To ensure a balance of power and authority, the positions of the Co-Chairmen and the Chief Executive Officer of the Company are held by different individuals with separate duties. The division of responsibilities between the Co-Chairmen and the Chief Executive Officer is clearly established and set out in writing.

The role of the Co-Chairmen is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek are responsible for leading new business (including investment opportunities of toll roads, investment and asset management business) and existing business endeavors of the Group respectively. The Co-Chairmen provide leadership for the Board and ensure that the Company establishes sound corporate governance practices and procedures. They also encourage all Directors of the Company to make a full and active contribution to the affairs of the Board.

The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and focuses on handling the day-to-day operations of the property development of the Group.

Detailed duties and responsibilities of the Co-Chairmen and the Chief Executive Officer are available on the website of the Company.

Board Diversity Policy

The Board adopted a Board Diversity Policy. The Policy aims to set out the approach to achieve diversity in the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. During the year, there were no additions to the Board.

BOARD AND MANAGEMENT COMMITTEES

To facilitate the work of the Board, the Board has delegated responsibilities to three Board Committees, namely Audit, Nomination and Remuneration Committees, to oversee particular aspects of the Company's affairs, and Property Business Management Committee led by the Chief Executive Officer to deal with the day-to-day operations of property development business of the Group. The updated terms of reference of the Audit, Nomination and Remuneration Committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

Composition

The Audit Committee currently comprises three members, namely Messrs. Lau Sai Yung (Chairman of the Audit Committee), Tse Chee On, Raymond and Wong Wai Ho. All members are Independent Non-executive Directors.

Role and Function

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the auditor's report, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee internal control systems, risk management and internal and external audit functions. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2018 and up to the date of this annual report:

- Approval of the remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2017 and 2018, and the interim results of the Group for the six months ended 30 June 2018;
- Review of the Group's financial information, financial reporting procedures, internal control systems, risk management, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to supply non-audit services;
- Review of the audit plan for financial year ended 31 December 2018;
- Review of adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting and internal audit functions;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2018 and 2019 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Approval of the 2019 internal audit plan;
- Review of the findings in the internal control report;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Meetings with the external auditor, in the absence of Executive Directors and Management; and
- Review of Risk Management Policy and Report.

Nomination Committee

Composition

The Nomination Committee currently comprises three members, namely Messrs. Zen Wei Pao, William (Chairman of the Nomination Committee), Lau Sai Yung and Wong Wai Ho. Except for Mr. Zen Wei Pao, William, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Nomination Committee was established to ensure that there are deliberative, considered and transparent procedures for the appointment of the Directors. The duties of this Committee include reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Directors and selecting, or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Committee shall consider candidates on merit and against the objective criteria with due regard for benefits of diversity of the Board.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2018 and up to the date of this annual report:

- Review of the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board;
- Assessment of the independence of the Independent Non-executive Directors;
- Review of the Company's policy on nomination of the Directors;
- Review of the Board Diversity Policy and the measurable objectives for implementing diversity on the Board; and
- Determination the rotation of the Directors at the annual general meetings.

Nomination Procedures

The Company has a Nomination Policy for the nomination of Directors. Appointment of new Directors is first considered by the Nomination Committee. In considering the appointment of a Director, this Committee applies criteria such as relevant experience, professional and educational background, reputation for integrity and independence as well as the diversity in the Board. The recommendation of this Committee is then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election by the shareholders at the general meeting after his/her appointment.

Remuneration Committee

Composition

The Remuneration Committee currently comprises five members, namely Messrs. Tse Chee On, Raymond (Chairman of the Remuneration Committee), Zen Wei Pao, William, Zen Wei Peu, Derek, Lau Sai Yung and Wong Wai Ho. Except for Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek, the Executive Directors, all other members are Independent Non-executive Directors.

Role and Function

The Remuneration Committee has been established to ensure that there are formal and transparent procedures to assist the Board in determining the remuneration policy of the Company and structuring the remuneration of all Directors and senior management. This Committee is responsible for making recommendation to the Board on the Company's policy and structuring for all Directors' and senior management's remuneration, and reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives. It also determines, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, and makes recommendations on the remuneration of Non-executive Directors and Independent Non-executive Directors.

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2018 and up to the date of this annual report:

- Review and approval of the Company's remuneration policy for 2018 and 2019;
- Approval of emoluments of the Executive Directors (where Messrs. Zen Wei Pao, William and Zen Wei Peu, Derek abstained from voting in determining their own remuneration) and senior management;
- Approval of year end bonus of the Executive Directors and senior management;
- Review of remuneration and bonus policy of senior management staff;
- Approval of salary adjustment of senior staff; and
- Approval of remuneration for newly recruited senior staff.

Remuneration Policy

The Company ensures that the remuneration offered in appropriate for the duties, in line with market practice and pay levels, and effective in attracting, retaining and motivating employees (including Executive Directors). For Non-executive Directors, the Company ensures that they are sufficiently but not excessively compensated for their efforts and time dedicated to the Company. No individual determines his own remuneration.

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of the Directors during the year ended 31 December 2018 are set out in note 11 to the consolidated financial statements of this annual report. The emoluments paid/payable to other senior management for the year ended 31 December 2018 were within the following bands:

	Number of Senior Management
Up to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$4,000,000	0
HK$4,000,001 to HK$5,000,000	3
HK$5,000,001 to HK$6,000,000	3
HK$6,000,001 to HK$7,000,000	3
HK$7,000,001 to HK$8,000,000	1
HK$8,000,001 to HK$9,000,000	1
HK$9,000,001 to HK$13,000,000	0
HK$13,000,001 to HK$14,000,000	1

Property Business Management Committee

Composition

The Property Business Management Committee currently comprises eight members, including three Executive Directors, namely Messrs. Ko Yuk Bing (Chairman of the Property Business Management Committee), Zen Wei Peu, Derek and Fong Shiu Leung, Keter and five members of senior management, namely Ms. Chuk Wing Suet, Josephine, Mr. Zhang Nan, Ms. Diao Lu, Amy, Mr. Zhao Min and Mr. Tan Qi.

Role and Function

The Property Business Management Committee was formed in 2006 to supervise, monitor and handle major matters arising from the daily operations of the property development business in various cities in the PRC.

In order to cope with the competitive and complex nature of the business, four functional sub-committees, namely Market, Product and Design, Engineering and Property Service, were subsequently established to provide professional recommendations and solutions to the Property Business Management Committee for major matters as well as to execute and make decisions in areas delegated by the Property Business Management Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code. All the Directors of the Company have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2018.

The Company has also adopted a code of conduct governing securities transactions by employees who are likely to be in possession of unpublished inside information in relation to the Group.

Formal notifications are sent by the Company to all Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black out period" specified in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company' s ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors of the Company are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorises their publication as and when required.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2018 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2018 are as follows:

Type of Services	**Fee paid/payable** HK$
Audit fee	4,130,000
Non-audit services	
Interim review fee	1,420,000
Other services	1,176,000
Total	6,726,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages F-1 to F-6.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard shareholders' investment and the Company's assets. The Group has established and developed the risk management system, which is defined by the Risk Management Policy comprising the roles and responsibilities of the Audit Committee, approach and methodology in establishing the risk assessment mechanism with references to international standards and best market practices. A Risk Management Taskforce (the "RMTF") has been set up to oversee the risk management program and assesses the program processes and makes decisions on risk management issues.

The Company has adopted the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") 2013 framework. The management allocates resources for the internal control and risk management systems compatible with the COSO to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The risk assessment comprises five core stages including risk identification, risk assessment and prioritization, risk response, risk monitoring and risk reporting.

The Audit Committee, which was delegated by the Board, assisted by the RMTF has reviewed and evaluated the effectiveness of the Group's risk management system for the year ended 31 December 2018. The Audit Committee considered the risk management system of the Company and its subsidiaries was effective and adequate.

The internal control system comprises a defined organisational structure and comprehensive policies and standards. Responsibilities of each business and operational unit are defined to ensure effective check and balance.

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's internal control system put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2018. The Audit Committee considered the internal control system of the Company and its subsidiaries was effective and adequate.

During the year, the internal audit team conducts systematic reviews of the Group's internal control system by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the COSO 2013 framework in order to provide reasonable assurance of the effectiveness of the system. The team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The team summarises audit findings and control weaknesses and reports to the Audit Committee on a quarterly basis.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, shareholders holding not less than one-twentieth of the total voting rights or not less than 100 shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting.

Any vote of the shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. Since May 2017, there were no changes to the memorandum of association of the Company and the Bye-laws. The updated versions of the memorandum of association of the Company and the Bye-laws are available on the websites of the Company and the Stock Exchange.

Detailed procedures for the shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy setting out various channels of communication, with the objective of enabling the shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its shareholders' meeting as an important means of communication with the shareholders in which the shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Apart from holding shareholders' meeting, the Company also endeavours to maintain effective communication with all shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the Stock Exchange.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

DIVIDEND POLICY

The Company has adopted a Dividend Policy. It aims to provide shareholders with stable and sustainable returns. In proposing any dividend payout, the Board shall take into account, inter alia, the Group's financial condition, working capital requirements and future expansion plans, actual operations and liquidity position, the Company's retained earnings, distributable reserves and cash flow situation, general economic condition and other factors that the Board considers appropriate.

INVESTOR RELATIONS

The Company pursues a proactive policy of promoting investor relations and communications with the shareholders. To this end, the Company maintains an open dialogue with the shareholders and investors through the Company's financial reports, press releases, road shows, conferences, annual general meetings and general meetings that may be convened, as well as making available all the disclosures submitted to the Stock Exchange to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

The Company has issued newsletters on a quarterly basis. These newsletters set out the latest developments of the Group's projects, and the quarterly performance of property sales and toll road projects. All the newsletters and publications of the Company issued in 2018 can be retrieved from the website of the Company. Going forward, the Company will continue to improve its transparency to ensure the shareholders and investors are kept abreast of the Company's latest development on a timely basis.

During the year, the Company's investor relations team arranged analyst meetings and regular meetings and interviews with the shareholders, investors and analysts.

SOCIAL RESPONSIBILITY

The Group is committed to make contributions to the community since its establishment. In addition to fulfilling corporate responsibility in its day to day operations, the Group also proactively participates in social welfare activities and donations. For details, please refer to the subsection headed "Community Investment" under "Social" of the "Environmental, Social and Governance Report" of this annual report.

Environmental, Social and Governance Report

In accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group presents this Environmental, Social and Governance (the "ESG") Report for the year ended 31 December 2018 (the "Reporting Period").

This report serves to provide details of the Group's ESG policies and initiatives of its property development and investment business in China, which is the major operating segment of the Group.

The Board of Directors has the overall responsibility for the Group's ESG strategy and reporting in achieving green operations for sustainable development. The management is responsible for monitoring and managing ESG related risks and the effectiveness of the ESG management systems. In order to determine the ESG reporting scopes, the Group has engaged and discussed with various management personnel and other internal key stakeholders to identify and assess relevant ESG issues to the Group. The summary of material ESG issues, which are covered in this report, are listed below:

ESG aspects as set out in ESG Guide		**Material ESG issues for the Group**
A. Environmental	*A1 Emissions*	• Air Emissions and Water Discharge • Greenhouse Gas Emissions • Waste Management
	A2 Use of Resources	• Energy Conservation • Water Conservation
	A3 The Environment and Natural Resources	• Environmental Risk Management • Construction Materials
B. Social	*B1 Employment*	• Recruitment and Promotion • Working Hours • Remuneration • Equal Opportunity
	B2 Health and Safety	• Workplace Health and Safety
	B3 Development and Training	• Staff Training
	B4 Labour Standards	• Anti-Child and Forced Labour
	B5 Supply Chain Management	• Supplier/Contractor Management
	B6 Product Responsibility	• Product and Service Responsibility • Marketing Ethics • Data Privacy
	B7 Anti-corruption	• Anti-corruption and Money Laundering • Whistle-blowing Mechanism
	B8 Community Investment	• Social Responsibility

A) ENVIRONMENT

A1 Emissions

As a property developer with prominent presence in the People's Republic of China (the "PRC") and Hong Kong, the Group has over 50 property development projects in more than 15 cities with a total land reserve of around 8 million square metres. With a mission to provide quality living to the customers and their families, the Group is committed to protecting the environment and considers this as a key success factor to its projects.

Although the Group itself does not generate significant emissions directly, it strives to minimise the environmental impacts of emissions and wastes from its outsourced construction activities. The Group strictly complies with all environmental-related regulations and makes an effort to meet and exceed the general expectation where possible. During the Reporting Period, there were no material non-compliance cases against environmental laws and regulations noted.

Air Emissions and Water Discharges

The Group is aware of the emissions generated from construction work carried out by its contractors during project development, including dust and sewage containing chemicals, debris and other contaminants. Although the Group does not have direct control over the construction work, as a responsible property developer, the Group takes a monitoring role in managing contractors' environmental practices. Environmental friendly construction requirements have been set and stated in the legally binding agreement for contractors to follow. Contractors' compliance with such environmental requirements are regularly reviewed by the Group, and mitigation actions are required to be taken by contractors once environmental risks are identified.

Certain measures have been implemented to control air emissions and water discharges from the construction sites as follows:

Air Emissions

- Site supervisors have been assigned to monitor the loading of soil from earth excavation onto the trucks to avoid overloading resulting in blowing dust
- Trucks transporting soil, debris and other dust generating materials have their cargo compartments being covered to prevent blowing dust
- Construction wastes have been prohibited to be burnt onsite, while inflammable wastes have been collected and disposed of timely
- Water sprinkler systems have been deployed to limit blowing dust
- Excavation and other dust generating works have been prohibited under strong wind
- Construction machinery and trucks have been cleaned regularly to prevent dust from dispersing to the neighbourhood
- Construction machinery and trucks complying with emission standards have been used and regularly maintained and tested for compliance
- Utilization of construction machinery and trucks has been planned in an efficient way to reduce residual capacity

- Cleaner fuels (e.g. ultralow Sulphur diesel), which generate less air emissions, have been used for construction machinery
- Electric construction machinery with no air emissions have been used as feasible
- Commercial mortar has been used and on-site mortar mixing are prohibited to reduce dust generation
- Based on site conditions, pavements inside construction sites have been paved with appropriate materials to reduce dust generation, while proper maintenance has been performed
- Newly reclaimed land has been covered to reduce blowing dust
- Barriers have been deployed to prevent dust from dispersing into the neighbourhood
- CCTV and air quality gauges have been installed to monitor air quality at construction sites to ensure air emissions fulfilling the standards of BEAM Plus and other air pollution control regulations

Water discharges

- Drainage system, storing tank and sediment tank have been installed as a 3-tier water discharge control system
- Regular cleaning of sediment tanks has been performed
- Water has been discharged to designated municipal drainage systems after treatment in accordance with the environmental regulations, while the water discharge quality has been accredited by relevant government environmental authorities
- License required by drainage-related authority has been obtained with regular inspections to ensure compliance with discharge standards
- Indirectly reduced water discharge through water conservation measures as stipulated in "Water Conservation" session below

Greenhouse Gas Emissions

The greenhouse gas ("GHG") emissions of the Group are mainly generated from the consumption of fuel and purchased electricity. Please refer to the "Energy Conservation" section below for the amount of GHG emissions as well as the respective reduction initiatives.

Waste Management

The Group has established procedures for waste management and incorporated the 4R-principles of "reduce", "reuse", "recycle" and "replace" in operational procedures in the workplace. As a significant part of the wastes are generated by the construction contractors of which the Group has no direct control, the Group requires contractors to follow its waste management policies and executes proper waste management initiatives. As for the Group's internal operations, the major type of waste is paper, which amounted to approximately 48 tonnes during the Reporting Period.

Certain measures have been implemented to reduce wastes produced and proper handling of wastes at construction sites and offices as follows:

Construction Wastes

- Site supervisors have been assigned to record and monitor the daily waste amount and formulate corresponding control measures
- Domestic and construction wastes (which are further categorized into inert and non-inert wastes) have been separated for handling in accordance with environmental regulations
- Designated areas with clear sign have been arranged for temporary storage of construction wastes
- Recyclable construction materials have been reused to reduce waste generation (e.g. inert wastes such as construction debris and rubbles have been recycled for land formation)
- Materials have been properly covered to avoid wastage due to weather
- Asbestos, a traditional hazardous construction material, has been prohibited
- Construction works have been carried out with proper procedures, advanced techniques (e.g. use of pre-cast materials) and precision to reduce wastage
- Hazardous construction wastes have been stored in covered/sealed containers and with proper labels for identification before collection by qualified contractors.
- Non-hazardous construction wastes have been disposed to designated municipal landfills while hazardous construction wastes have been collected and processed by qualified contractors
- Global Positioning System (GPS) locators have been installed on trucks to detect any disposal of construction wastes at unauthorised sites

Administrative Wastes

- Using recycled papers as possible
- Staff have been encouraged to use double-sided printing and single-side printed papers have been collected and reused
- Paperless work practices such as electronic approval have been adopted to reduce the use of papers
- Recycling facilities have been placed in offices for waste separation, while recyclable wastes have been passed to qualified contractors for recycling
- Records of recycling have been maintained and evaluated regularly for improvement
- Staff have been encouraged to bring their own utensils and reuse the stationery as possible
- Only durable food containers, cutlery and cups are used in offices

A2 Use of Resources

To improve the efficiency of the use of resources in business operations, the Group has established practical and specific resources consumption targets, implemented various resource conservation initiatives in operations and encouraged behavioural changes of employees and business partners. The Group believes that promoting environmental protection and enhancing the environmental awareness could bring mutual benefit to the community and the Group, by reducing operating costs and creating long-term value to stakeholders of the Group.

Energy Conservation

Energy consumption is the major source of GHG emissions of the Group. It also contributes a significant part of the operating costs. Therefore, the Group strives to reduce its energy consumption from both environmental and financial perspectives. The strategies of energy conservation are improving equipment's energy efficiency, promoting staff awareness and monitoring of consumption data. The contractors of the Group are also required to follow its energy conservation initiatives as a holistic approach to reduce energy use in their construction activities.

During the Reporting Period, the amount of energy consumed and respective GHG emissions of the Group are summarised as follows:

	Energy Consumption[1]		GHG Emission	
Type of Energy	**Quantity Consumed[2]**	**Intensity (Quantity per headcount)**	**Quantity (kg CO2e)[3]**	**Intensity (kg CO2e/ headcount)**
Petrol (litre)	267,263	146	723,710	396
Electricity (kWh)	4,475,450	2,450	2,994,831	1,640

Several initiatives have been implemented in construction sites and offices to control energy consumptions as follows:

Construction Sites Energy

- Electrical construction machinery and equipment with high energy efficiency than the diesel ones have been deployed as possible
- Non-essential lightings as well as idle machinery have been switched-off
- Solar panels have been deployed in certain locations to support the lighting systems at the construction sites
- Logistics of raw materials has been planned to improve fuel efficiency in construction sites by the optimisation of capacity and frequency

1 The Group had direct consumption of diesel and gas of immaterial amounts during the Reporting Period, therefore the relevant disclosures are not applicable.

2 The amounts represent the energy directly controlled and consumed by the Group during the Reporting Period. Indirect energy consumptions (i.e. those consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

3 The GHG emissions are calculated with reference to the "Reporting Guidance on Environmental KPIs" issued by the Stock Exchange and the "2017 China Regional Power Grid Baseline Emission Factors For Emission Reduction Project" issued by the Ministry of Ecology and Environment.

- Energy conservation construction work plan (i.e. work procedures designed in a more energy efficient way) has been set up and implemented

- Various communications (posters, signs and memos) for promoting energy conservation have been launched to raise construction workers' awareness

- Site supervisors have been assigned to record and monitor the electricity usage and formulate corresponding energy conservation plan

Office Energy

- Energy-friendly electrical appliances and devices, including LED lighting, air-conditioning systems, computers and projectors, have been installed

- Air-conditioning systems have been set such that indoor air temperature should be within a specific range to improve energy efficiency

- Memos reminding timely switch-off of idle electrical appliances have been posted next to the power switches

- Coordinators have been assigned to inspect unnecessary energy consumption

- Fuel consumption of vehicles have been recorded to serves as a performance indicator of drivers' performance evaluation

Meanwhile, to reduce energy consumption in the long run, green elements have been incorporated into project design. The building layouts are designed to maximize utilization of natural light, with facilities operated under smart systems to achieve high energy efficiency.

Water Conservation

As a significant part of water is consumed by the Group's contractors during the property development stage, to preserve the precious water resource, the Group has required its contractors to establish certain control measures such as installing sediment tanks and reflux pipes to collect sewage and rain, which will be reused after sedimentation for washing trucks and machinery as well as sprinkling roads to reduce dust.

During the Reporting Period, the water consumed directly by the Group amounted to 341,692 cubic metre[4], representing an intensity of 187 cubic metre/headcount. Several initiatives, such as regular check of unused running taps and leakage from water pipes or faucets, installation of induction faucets washrooms and display of posters advocating water conservation at prominent places, have been implemented for saving water.

As for the Group's property projects, in addition to the above mentioned initiatives, water conservation designs have also been adopted, this includes strengthening the water pipes to reduce the risk of water leakage, deployment of reclaimed water systems to reuse used water for cleaning and watering purposes.

[4] The amount represents water that was directly consumed and controllable by the Group during the Reporting Period. Indirect water consumptions (i.e. water consumed by its contractors, agents and other third parties engaged by the Group) are excluded.

A3 The Environment and Natural Resources

Environmental Risk Management

The Group takes into account the impact on the environment when making investment decisions and deciding future development plan, to demonstrate its responsibility on environmental protection and conservation of the nature. The Group also strictly monitors the environmental risks related to its construction sites by performing environmental assessments and implementing preventive measures to control the risks. If significant environmental risks are identified, respective mitigating measures would be developed to address the root causes or lessen the impacts. For example, the Group requires the contractors to implement effective noise and light nuisance control measures, such as installation of acoustic panels. Construction works have been properly planned to avoid noise and light nuisance at night while site noises have been closely monitored and recorded.

During the Reporting Period, five of the Group's projects were accredited by the relevant authority for their endeavours in environmental protection. RK City Landmark, RK City in Changzhou, Jiangsu Province and RK Notting Hill in Zhenjiang have all been awarded "Standardized Star Site for Construction – Jiangsu"（江蘇省建築施工標準化星級工地）. While RK Sunny Town in Tianjin and RK Phoenix City in Suzhou, Jiangsu Province have been granted the awards of "Demonstration Site for Civilised Construction – Tianjin"（天津市文明施工示範工地）and "Demonstration Project for Landscaping – Suzhou"（蘇州市園林綠化示範工程）, respectively.

Furthermore, all projects of the Group in Hong Kong have participated in the BEAM Plus programme to reduce environmental impacts arising from the construction work.

Construction Materials

In addition to the one-off environmental impacts from construction activities, the Group concerns about the on-going impacts arising from the construction materials used. To ensure indoor air quality, construction materials used should comply with requirements of the "Code for Indoor Environmental Pollution Control of Civil Building Engineering"（《民用建築工程室內環境污染控制規範》）in the PRC. Materials imposing harmful effects on human health or environment are strictly prohibited, for instance, moisture proof agents consist of asphalt cannot be used on wooden materials.

B) SOCIAL

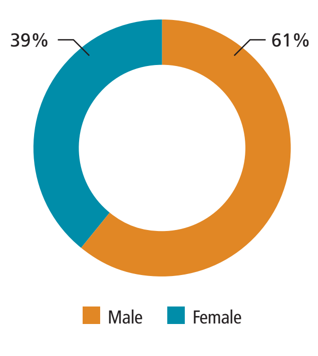
B1 Employment

Recruitment and Promotion

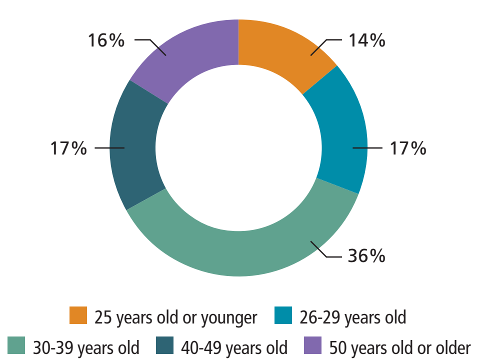
The Group values and aims at attracting talents who share the mission and value of the Group. The recruitment processes are designed to attract the best talent available and assess their suitability. The Group set out clear career paths and comprehensive development opportunities are offered to employees throughout their career. The career development programmes supported by the promotion schemes of the Group, help to enhance the employee's skills, experience and expand their exposures to different functionality of their role.

As at 31 December 2018, the Group had 4,158 employees, representing an increase of 509 employees or 14% as compared with 2017. The distributions of the Group's employees during the year 2018 are as follows:

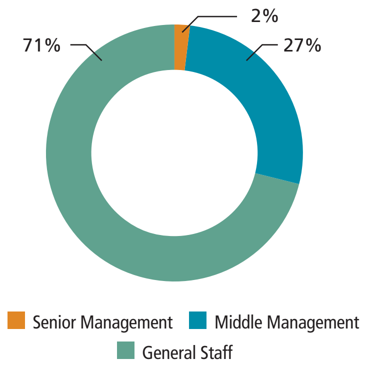
Gender



Age



Employee Category



Working Hours

The Group advocates the employees to maintain work-life balance and ensures they will not work excessive hours. The working hours are set in accordance with the guidelines issued by the local labour authorities. The Group also offers flexible working hours for positions with special requirements on working hours.

Remuneration

The Group offers competitive remuneration packages to the employee in accordance with their performance, relevant skills, experience and contribution. The Group also offers other benefits including provident fund, insurance, medical, training programmes and share option in order to attract, retain and incentivise the employees.

Equal Opportunity

The Group is committed to providing a non-discriminating workplace and free of intimidation and harassment. The Group also provides equal opportunities to the employees, regardless of their gender, race, ethnic origin, religion, marital status or disabilities.

All employment practice within the Group including but not limited to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and anti-discrimination, are conducted in compliance with the local labour laws. During the Reporting Period, no material case of non-compliance against employment-related laws and regulations was noted.

B2 Health and Safety

Workplace Health and Safety

The Group value health and safety as vital importance for employees, and makes every effort to build and to maintain a working environment free of workplace health and safety accidents.

Except for the construction sites during the development stage, the Group's operations do not possess any high occupational health and safety risk to the employees. In order to ascertain effective controls are in place to mitigate health and safety risks at construction sites, the Group takes initiatives in monitoring the measurements implemented by the contractors. And their performance in this regard is also taken into account during the contractor selection process.

The Group encourages the employees to actively participates in public welfare activities and develop a diversity lifestyle, such as developing harmonious families, contributing to the society and pursuit of knowledge etc. The Group organises various recreational activities each year, including inviting the employees and their families to join the company outing trip.

The Group is committed to complying with all occupational safety related laws to protect the employees. During the Reporting Period, no material case of non-compliance with occupational safety related laws and regulations were noted.

B3 Development and Training

Staff Training

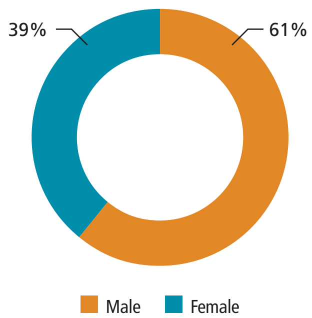
The Group provides continuous training and development programmes for employees. The Group regularly identifies and assesses the training needs of different divsions and positions so as to design appropriate and practical training programmes for employees.

To improve productivity, specific training is provided to employees to enhance their skills and abilities such as up-to-date training on the latest practices and knowledge of the market to maintain a competitive workforce. Furthermore, on-job training including coaching by supervisors on particular job-related skills, job rotation and job shadowing are offered to help employees to practice and familiar with their job duties.

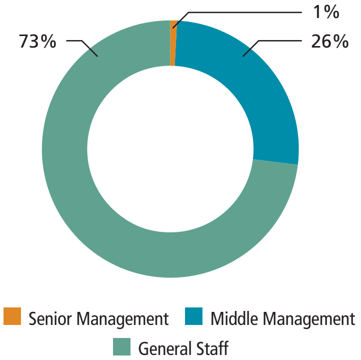
The Group also values the feedbacks from employees so the Group establishes a systematic approach to collect and analyse the feedbacks of training programmes for enhancement.

The details of staff training for 2018 are as follows:

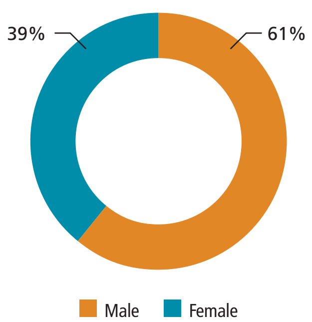
Number of Trained Employees (by Gender)



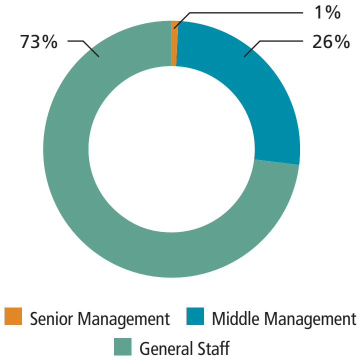
Number of Trained Employees (by Employee Category)



Training Hours (by Gender)



Training Hours (by Employee Category)



B4 Labour Standards

Anti-Child and Forced Labour

The Group is committed to forbidding unlawful employment and exploitation of child labour in the workplace and use of forced labour. The Group ensures the employment practices are in compliance with the national and local laws and regulations. No teenagers under the statutory minimum working age will be employed in accordance with relevant laws and regulations. All forms of forced labour are prohibited. All employees must provide their personal identity documents to prove their ages and identities and sign the employment contracts voluntarily.

During the Reporting Period, no material case of non-compliance with local child and forced labour related laws and regulations were noted.

B5 Supply Chain Management

Supplier/Contractor Management

Supplier and contractor management is a crucial component of the Group's quality control. The Group implements strict supplier and contractor selection process to ensure they deliver high quality work which forms the foundation of quality products and services. The Group also maintains a close relationship with the suppliers and contractors to guarantee a stable supply chain.

In addition to the quality aspect, sustainable development has been incorporated into the supply chain management. During the supplier and contractor selection, corporate social responsibility is one of the key performance indicators so that the Group can evaluate and monitor how the suppliers and/or contractors deal with ethical issues, human rights, product responsibility and environmental impacts. The Group requires suppliers and contractors to follow the Group's policy regarding corporate social responsibility when carrying out their contractual duties.

B6 Product Responsibility

Product and Service Responsibility

The Group is committed to providing the customers with quality products and services. The Group aims at building good corporate reputation by delivering high quality property projects which bring a comfortable living environment and satisfaction to its customers, thereby developing customer loyalty. In light of that, the Group has established a set of quality standards which have been regularly reviewed to maintain an awareness and conformance to national and local laws and voluntary codes.

Marketing Ethics

Integrity is the core value of the Group. Therefore, all information on its advertisements are reviewed before publication to ensure no untrue or misleading information is included in the advertisements of the Group, and no illegitimate marketing and selling methods should be adopted.

Data Privacy

The Group respects the privacy of its customers and maintains the highest level of accuracy, security and confidentiality. To this end, the Group has applied the six common data protection principles including collection purpose and means, accuracy and retention, use, security, openness, and data access and correction in the business operations for the purpose of preventing the Group from inappropriate collection, holding, processing or use of the customer data.

During the Reporting Period, no material non-compliance cases with property selling and marketing, as well as data privacy related laws and regulations was noted.

B7 Anti-corruption

Anti-corruption and Money Laundering

The Group believes that integrity and honesty are of paramount importance to gain the trust and respect from stakeholders of the Group. Therefore, the Group strictly prohibits all falsifying documents or business records and any soliciting or accepting of advantages to or from clients, suppliers and business partners. Code of conduct has been stipulated in the staff handbook to communicate with staff the proper business practices and prohibited acts.

Whistle-blowing Mechanism

To facilitate identification of suspected cases of corruption, money laundering and other misconducts, the Group has established reporting channel to encourage its staff to take the initiative in reporting irregularities to the management for further investigation. Independent management personnel of the involved functions will be assigned to follow-up on the reported cases to ensure impartiality.

During the Reporting Period, there were no litigations arisen from the corruption of the Group's employees.

B8 Community Investment

Social Responsibility

The Group is committed to making contributions to the community since its establishment. In addition to fulfilling corporate responsibility in its day to day operations, the Group also proactively participates in social welfare activities and donations.

Public Welfare Activities

The Group is dedicated to support communities and charitable organizations to contribute the development of society through mutual cooperations. The Group has been making donations to the charitable organizations and received various awards from The Community Chest of Hong Kong.

The Group encourages its staff to actively participate in the social welfare activities. In February and March 2018, colleagues from Hong Kong and Shenzhen participated in charity race events namely "HONG KONG STREETATHON@Kowloon" and "Rotary Hong Kong Ultramarathon 2018" hosted by "RunOurCity" and "Rotary District 3450" respectively. Both events aim to help the disadvantaged group in society.

In marathon race of "HONG KONG STREETATHON@Kowloon", colleagues from Hong Kong headquarter participated in 10KM and half marathon races respectively. Mr. Zen Wei Pao, William, the Co-Chairman of the Group, had also participated in the 10KM race in person to root for the colleagues.

Moreover, the Group organized its inaugural "Road King Charity Cycling Championships 2018" at the Kam Tin Bypass in Yuen Long in November 2018, the first time the bypass opened as a track for cycling competition. The charity cycling competition was led by the Group and co-organized by the Kam Tin Rural Committee, with the authorization by the Cycling Association of Hong Kong, China. It received great response with more than 1,500 participants joining the event.

The purposes of the event, where supported by artistes and sports celebrities, were to raise funds for the train hospital "Lifeline Express" to help cataract patients in the Mainland regaining vision, as well as promoting "Sports For All" culture. A free carnival was set up for the public to join and feel the ambience of the cycling competition. Visually-impaired people joined hands with elite cyclists to compete in the event, demonstrating that the visually-impaired are not averse to difficulties and have the perseverance to break the barrier.

Mr. Zen Wei Peu, Derek, the Co-Chairman of the Group and the Chairman of the Organizing Committee, said in the speech that the Kam Tin Bypass in Yuen Long was opened for the first time as a track for cycling competition. Not only did it bring freshness to the participants, but it also catered for participants with different abilities and needs, thus the public could join in the "Sports For All". All the application fees would be donated to the funds for the train hospital "Lifeline Express", and the Group would match the donation so that more needy people would be benefitted.

Education and Sponsorship

The Group believes that lifelong learning enables the next generation having a better future. Over the years, the Group has offered various scholarship programmes to a number of universities in China and Hong Kong, arranged interactive activities between students and enterprises, and sponsored tertiary academic activities, namely the "Peking University China Finance 40 Forum Road King Scholarship（北京大學中國金融四十人路勁獎學金班）" jointly launched by the Group, China Finance Academic Think Tank – China Finance 40 Forum and National School of Development of Peking University since 2009, which aims to nurture talents for the society, the programmes of which are supported by China Finance Academic Think Tank – China Finance 40 Forum.

In addition, the Group since 2013, joined hands with China Real Estate Chamber of Commerce and Elite Habitat Development Foundation to launch the ELITE Child Plan, which targets continuously through donations etc. to improve the living and growth environment for those staying in orphanage schools and village kindergarten in the ethnic community of the western regions. In 2016, China Real Estate Chamber of Commerce and Elite Habitat Development Foundation awarded the Group "ELITE Public Welfare Pioneer".

As to youth education, the Group committed full sponsorship for "CUHKFAA Chan Chun Ha Secondary School on a Summer Study Tour in Hangzhou" in 2018 to let students gain an insight into the Group's culture, brand concept and business scope, experience local history and culture and deepen understanding of the Country's economic development.

As a reputable property developer in China, the Group commits to fulfilling its corporate social responsibility continuously by devoting resources and participating in social welfare activities.

EXECUTIVE DIRECTORS

Zen Wei Pao, William *(Co-Chairman)*
Zen Wei Peu, Derek *(Co-Chairman)*
Ko Yuk Bing *(Deputy Chairman, Managing Director and Chief Executive Officer)*
Fong Shiu Leung, Keter *(Finance Director)*

NON-EXECUTIVE DIRECTORS

Mou Yong
Dong Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Sai Yung
Tse Chee On, Raymond
Wong Wai Ho
Zhang Yongliang

PROPERTY BUSINESS MANAGEMENT COMMITTEE

Ko Yuk Bing *(Chairman)*
Zen Wei Peu, Derek
Fong Shiu Leung, Keter
Chuk Wing Suet, Josephine
Zhang Nan
Diao Lu, Amy
Zhao Min
Tan Qi

AUDIT COMMITTEE

Lau Sai Yung *(Chairman)*
Tse Chee On, Raymond
Wong Wai Ho

NOMINATION COMMITTEE

Zen Wei Pao, William *(Chairman)*
Lau Sai Yung
Wong Wai Ho

REMUNERATION COMMITTEE

Tse Chee On, Raymond *(Chairman)*
Zen Wei Pao, William
Zen Wei Peu, Derek
Lau Sai Yung
Wong Wai Ho

COMPANY SECRETARY

Fong Shiu Leung, Keter

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Beijing Global Law Office
Conyers, Dill & Pearman
Reed Smith Richards Butler

PRINCIPAL BANKERS

The PRC

Agricultural Bank of China Limited
China Bohai Bank Co., Ltd.
China CITIC Bank Corporation Limited
Industrial and Commercial Bank of China Limited

Hong Kong

China CITIC Bank International Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

SHARE LISTING

The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (Stock Code: 1098)

NOTES, SECURITIES AND BONDS LISTING

The following notes are listed on The Stock Exchange of Hong Kong Limited

- US$450 million 5% guaranteed senior notes due 2019 (Stock Code: 5695)
- US$500 million 4.7% guaranteed senior notes due 2021 (Stock Code: 4309)

The following notes and securities are listed on the Singapore Exchange Securities Trading Limited

- US$400 million 7.75% guaranteed senior notes due 2021
- US$400 million 7.875% guaranteed senior notes due 2023
- US$300 million 7.95% senior guaranteed perpetual capital securities
- US$300 million 7% senior guaranteed perpetual capital securities

The following bonds are listed on the Shanghai Stock Exchange

- RMB1.5 billion 4.5% domestic bonds due 2019

INVESTOR RELATIONS

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Telephone: (852) 2957 6800
Facsimile: (852) 2375 2477
E-mail address: rki@roadking.com.hk

WEBSITES

http://www.roadking.com.hk
http://www.rkph.com

Deloitte. 德勤

To the Shareholders of Road King Infrastructure Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Road King Infrastructure Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages F-7 to F-123, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 the 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 matters 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
Revenue recognised from sale of completed properties held for sale	
We identified revenue recognised from sale of completed properties held for sale as a key audit matter as it is quantitatively significant to the consolidated statement of profit or loss. The Group's revenue from sale of completed properties held for sale for the year ended 31 December 2018 amounted to approximately HK$21,391 million, which is disclosed in Note 5 to the consolidated financial statements, representing 96% of the Group's total revenue. As disclosed in Note 3 to the consolidated financial statements, revenue from sale of completed properties held for sale is recognised when control of completed property is transferred to the customer, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.	Our procedures in relation to revenue recognised from sale of completed properties held for sale included: • Obtaining an understanding of and assessing the effectiveness of the Group's internal control over the revenue recognition of sale of completed properties held for sale; • Inspecting, on a sample basis, the terms set out in the sale and purchase agreements to understand the point that the customers obtain the control of the completed properties and the Group has present right to payment and the collection of the consideration is probable; and • Evaluating whether the control of completed properties have been transferred to the customers by checking, on a sample basis, to the terms of the sale and purchase agreements, the relevant completion certificate for construction work and the delivery notice sent to the customers.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory of properties	
We identified the valuation of inventory of properties, which includes properties under development for sale (the "PUD") and completed properties held for sale (the "PFS") (collectively referred to as the "Properties") as a key audit matter as it is significant to the consolidated financial statements and significant judgments are involved in the determination of the net realisable value (the "NRV") of the Properties. The Group's PUD of approximately HK$27,350 million and PFS of approximately HK$4,265 million are situated in the PRC and Hong Kong as at 31 December 2018 as disclosed in Note 21 to the consolidated financial statements. As set out in Note 4 to the consolidated financial statements, the management of the Group determined the NRV of the PUD with reference to the current market price of properties of a comparable standard and location and construction costs to be incurred to complete the development based on existing asset structure and construction material price lists. The management determined the NRV of the PFS with reference to the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.	Our procedures in relation to valuation of inventory of properties included: • Obtaining an understanding on the management's process of estimating the construction costs to be incurred to complete the development of the PUD and estimating the NRV of the Properties; • Evaluating the reasonableness of the estimated costs to completion of the PUD, on a sample basis, by comparing the budgeted construction costs, to the signed contracts with subcontractors, and actual development cost of similar completed properties of the Group and comparing the adjustments made by the management, on a sample basis, to current market data; and • Assessing the appropriateness of estimated selling price of the Properties, on a sample basis, by comparing it to the recent market prices achieved in the same project or comparable properties, based on our knowledge of the Group's business and the PRC and Hong Kong real estate industry.

Key audit matter	**How our audit addressed the key audit matter**
Amortisation of toll road operation rights of the infrastructure joint ventures ("JVs")	
We identified amortisation of toll road operation rights of the JVs as a key audit matter because the amortisation involves a significant degree of judgement by the management of the Group. As disclosed in Note 8 to the consolidated financial statements, the amortisation of toll road operation rights for the year ended 31 December 2018 amounted to approximately HK$257 million. As set out in Note 4 to the consolidated financial statements, amortisation of toll road operation rights of the JVs is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Estimation of total traffic volume over the remaining concession period is reviewed by the management at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies of the region, market competition, growth rate of vehicle sales and forecast economic growth of the PRC, etc. In calculating the amortisation, management exercised a significant degree of judgement in considering the changes of the estimation on total traffic volume based on the factors above which may affect both the carrying value of the concession intangible assets of the JVs and the amortisation charges for the remaining concession period. Under the equity method of accounting, it may consequentially cause material adjustment on the share of results of the JVs and interests in the JVs stated in the consolidated financial statements.	Our procedures in relation to the amortisation of toll road operation rights of the JVs included: • Assessing the reasonableness of management's estimation of future traffic volume and determination of the amortisation by making reference to the traffic flow projection prepared by the management, in particular the appropriateness of key assumptions, including the growth rate applied on the projected traffic flow in the remaining concession period, the economic development and the change of the transportation network of the region as well as government policies related to the toll expressways and highways operation in the PRC; and • Checking the accuracy of significant data inputs, including historical pattern of actual traffic volume underpinning the calculation of amortisation of concession intangible assets used by the management of the Group, on a sample basis, by agreeing the historic number of traffic used in the calculation to the actual traffic volume in the traffic flow projection prepared by the management.

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 towards 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 Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue			
Property sales and service income		**22,062,449**	14,529,220
Other revenue		**302,774**	226,550
Total revenue	5	**22,365,223**	14,755,770
Cost of sales		**(12,300,781)**	(8,840,203)
Gross profit		**10,064,442**	5,915,567
Interest income		**778,753**	379,747
Other income		**62,238**	60,261
Other gains and losses	7	**(104,394)**	264,731
Selling expenses		**(682,454)**	(507,291)
Administrative expenses		**(896,345)**	(769,625)
Share of results of associates		**(14,109)**	(9,598)
Share of results of joint ventures	8	**972,699**	470,963
Finance costs	9	**(683,774)**	(363,367)
Profit before taxation	10	**9,497,056**	5,441,388
Income tax expenses	12	**(5,798,453)**	(2,965,394)
Profit for the year		**3,698,603**	2,475,994
Profit for the year attributable to:			
Owners of the Company		**2,988,242**	1,943,703
Owners of perpetual capital securities		**349,830**	246,621
Non-controlling interests of subsidiaries		**360,531**	285,670
		3,698,603	2,475,994
Earnings per share	14		
– Basic		**HK$3.99**	HK$2.61
– Diluted		**HK$3.99**	HK$2.61

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**3,698,603**	2,475,994
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation to presentation currency	**(936,353)**	916,692
Total comprehensive income for the year	**2,762,250**	3,392,686
Total comprehensive income for the year attributable to:		
Owners of the Company	**2,116,696**	2,806,710
Owners of perpetual capital securities	**349,830**	246,621
Non-controlling interests of subsidiaries	**295,724**	339,355
	2,762,250	3,392,686

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**203,083**	121,137
Investment properties	16	**2,516,218**	2,583,810
Interests in associates	17	**811,115**	825,405
Interests in joint ventures	18	**9,962,924**	6,464,609
Deferred tax assets	29	**130,176**	40,907
Amounts due from joint ventures	19	**10,180,660**	8,270,231
Loan receivables	20	**196,190**	1,115,465
Financial assets at fair value through profit or loss ("FVTPL")	24	**514,286**	–
Long-term prepayments	23	**70,200**	70,020
		24,584,852	19,491,584
Current assets			
Inventory of properties	21	**31,614,778**	30,216,830
Prepayment for land leases	22	**606,284**	186,524
Amounts due from joint ventures	19	**3,713,510**	6,622,181
Loan receivables	20	**2,161,126**	744,203
Debtors, deposits and prepayments	23	**3,581,178**	3,082,346
Prepaid income tax		**634,225**	635,347
Financial assets at FVTPL	24	**133,564**	5,889
Pledged bank deposits	25	**128,951**	198,337
Bank balances and cash	25	**11,793,235**	8,552,217
		54,366,851	50,243,874
Total assets		**78,951,703**	69,735,458

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	26	**74,934**	74,814
Reserves		**17,323,129**	15,560,264
		17,398,063	15,635,078
Perpetual capital securities	33	**4,632,638**	4,633,096
Non-controlling interests of subsidiaries		**2,736,741**	1,346,252
Total equity		**24,767,442**	21,614,426
Non-current liabilities			
Bank and other borrowings	28	**10,183,873**	15,818,724
Deferred tax liabilities	29	**923,315**	784,083
		11,107,188	16,602,807
Current liabilities			
Creditors and accrued charges	30	**9,824,931**	8,362,246
Amounts due to joint ventures and an associate	31	**1,247,350**	779,411
Contract liabilities	2 & 32	**16,288,131**	–
Deposits from pre-sale of properties	2	**–**	15,356,682
Income tax payable		**5,255,537**	2,445,243
Bank and other borrowings	28	**10,461,124**	4,574,643
		43,077,073	31,518,225
Total equity and liabilities		**78,951,703**	69,735,458

The consolidated financial statements on pages F-7 to F-123 were approved and authorised for issue by the Board of Directors on 19 March 2019 and are signed on its behalf by:

Zen Wei Pao, William
DIRECTOR

Ko Yuk Bing
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Foreign currency translation reserve HK$'000	Special reserve HK$'000 (Note a)	Other reserve HK$'000 (Note c)	Share option reserve HK$'000	Statutory reserve HK$'000 (Note b)	Retained profits HK$'000	Sub-total HK$'000	Perpetual capital securities HK$'000	Non-controlling interests of subsidiaries HK$'000	Total equity HK$'000
Balance at 1 January 2017	73,994	3,152,986	909,333	1,260,000	–	6,214	1,528,635	6,360,669	13,291,831	–	940,797	14,232,628
Profit for the year	–	–	–	–	–	–	–	1,943,703	1,943,703	246,621	285,670	2,475,994
Exchange differences arising on translation to presentation currency	–	–	863,007	–	–	–	–	–	863,007	–	53,685	916,692
Total comprehensive income for the year	–	–	863,007	–	–	–	–	1,943,703	2,806,710	246,621	339,355	3,392,686
Sub-total	73,994	3,152,986	1,772,340	1,260,000	–	6,214	1,528,635	8,304,372	16,098,541	246,621	1,280,152	17,625,314
Issue of ordinary shares upon exercise of share options	820	62,641	–	–	–	(4,996)	–	–	58,465	–	–	58,465
Cancellation/lapse of share options	–	–	–	–	–	(487)	–	487	–	–	–	–
Capital contributions from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	66,100	66,100
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	4,560,703	–	4,560,703
Dividends paid for perpetual capital securities	–	–	–	–	–	–	–	–	–	(174,228)	–	(174,228)
Dividends (note 13)	–	–	–	–	–	–	–	(521,928)	(521,928)	–	–	(521,928)
Appropriation	–	–	–	–	–	–	651,731	(651,731)	–	–	–	–
Balance at 31 December 2017	74,814	3,215,627	1,772,340	1,260,000	–	731	2,180,366	7,131,200	15,635,078	4,633,096	1,346,252	21,614,426
Effect arising from initial application of HKFRS 15 (note 2)	–	–	–	–	–	–	–	(57,077)	(57,077)	–	–	(57,077)
Balance at 1 January 2018 (restated)	74,814	3,215,627	1,772,340	1,260,000	–	731	2,180,366	7,074,123	15,578,001	4,633,096	1,346,252	21,557,349
Profit for the year	–	–	–	–	–	–	–	2,988,242	2,988,242	349,830	360,531	3,698,603
Exchange differences arising on translation to presentation currency	–	–	(871,546)	–	–	–	–	–	(871,546)	–	(64,807)	(936,353)
Total comprehensive income for the year	–	–	(871,546)	–	–	–	–	2,988,242	2,116,696	349,830	295,724	2,762,250
Sub-total	74,814	3,215,627	900,794	1,260,000	–	731	2,180,366	10,062,365	17,694,697	4,982,926	1,641,976	24,319,599
Issue of ordinary shares upon exercise of share options	120	9,167	–	–	–	(731)	–	–	8,556	–	–	8,556
Release upon deregistration of subsidiaries of the Company	–	–	(35,290)	–	–	–	(56,792)	92,082	–	–	–	–
Subscription of shares by non-controlling interest of a subsidiary (Note (d))	–	–	(124,630)	–	1,002,963	–	–	(374,240)	504,093	–	1,495,907	2,000,000
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	19,810	19,810
Dividends paid for perpetual capital securities	–	–	–	–	–	–	–	–	–	(350,288)	–	(350,288)
Dividends (note 13)	–	–	–	–	–	–	–	(809,283)	(809,283)	–	–	(809,283)
Dividend paid or payable for non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	(420,952)	(420,952)
Appropriation	–	–	–	–	–	–	616,913	(616,913)	–	–	–	–
Balance at 31 December 2018	74,934	3,224,794	740,874	1,260,000	1,002,963	–	2,740,487	8,354,011	17,398,063	4,632,638	2,736,741	24,767,442

Notes:

(a) Special reserve was arisen on group reorganisation and represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital of a subsidiary, which was acquired by the Company pursuant to the then group reorganisation.

(b) The statutory reserve of the Company and its subsidiaries (the "Group") represents the reserve required by relevant laws of the People's Republic of China ("PRC") applicable to the Company's PRC subsidiaries.

(c) Other reserve represents transfer from relevant reserves attributable to the shareholders of the Company to non-controlling interest of a subsidiary and adjustments arising from partial disposal of interest in a subsidiary as detailed in note (d).

(d) On 2 August 2018, Asia Belt and Road Expressway Company Limited (the "Investor"), a company independent of the Group, the Company and Road King Expressway International Holdings Limited (formerly named as RKE International Holdings Limited) ("RKE"), a wholly-owned subsidiary of the Company, entered into subscription agreement ("Agreement"), pursuant to which RKE has agreed to allot and issue, and the Investor has agreed to subscribe for 166,666,667 shares of RKE at the subscription price of US Dollars equivalent of HK$2,000,000,000. Upon completion of the share subscription on 4 October 2018, the Investor holds 25% equity interest in RKE, which is considered as a non-wholly owned subsidiary of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Operating activities			
Profit before taxation		**9,497,056**	5,441,388
Adjustments for:			
Depreciation of property, plant and equipment		**30,911**	13,524
Fair value gains on transfer of completed properties held for sale to investment properties		**–**	(1,374)
Change in fair value of investment properties		**(75,002)**	(111,953)
Change in fair value of financial assets at FVTPL		**(182,627)**	349,528
Net exchange losses (gains)		**396,015**	(443,442)
Interest income		**(778,753)**	(379,747)
Finance costs		**683,774**	363,367
Net losses (gains) on disposal of subsidiaries		**339**	(56,731)
Gain on disposal of interest in a joint venture		**(33,330)**	–
Share of results of associates		**14,109**	9,598
Share of results of joint ventures		**(972,699)**	(470,963)
Gains on disposal of property, plant and equipment, net		**(1,001)**	(759)
Operating cash flows before movements in working capital		**8,578,792**	4,712,436
Increase in debtors, deposits and prepayments		**(814,163)**	(337,311)
Decrease (increase) in completed properties held for sale		**388,361**	(6,652)
Decrease in properties under development for sale		**4,003,722**	71,684
Increase in creditors and accrued charges		**1,533,515**	1,118,191
Increase in deposits from pre-sale of properties		**–**	6,205,503
Decrease in contract liabilities		**(990,226)**	–
Payment for land leases		**(3,267,146)**	(1,292,436)
Cash generated from operations		**9,432,855**	10,471,415
Income tax paid		**(2,572,024)**	(2,030,367)
Net cash generated from operating activities		**6,860,831**	8,441,048

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Investing activities			
Cash distributions/dividends received from joint ventures		**767,810**	638,105
Additions to investment properties		**(3,171)**	(57,110)
Interest received		**120,485**	63,829
Proceeds on disposal of property, plant and equipment		**1,148**	1,673
Proceeds on disposal of investment properties		**17,156**	53,031
Net cash inflow (outflow) from acquisition of subsidiaries	39	**461,526**	(240,987)
Net cash inflow from disposal of subsidiaries	40	**382,143**	55,310
Net cash inflow from disposal of interest in a joint venture		**97,565**	–
Additions to loan receivables		**(1,006,363)**	(1,431,097)
Repayment of loan receivables		**46,244**	209,711
Purchases of property, plant and equipment		**(95,357)**	(29,417)
Proceeds from redemption of financial assets at FVTPL		**–**	41,158
Payment for financial assets at FVTPL		**(514,286)**	–
Advances to joint ventures		**(4,759,181)**	(11,128,991)
Repayment from joint ventures		**4,020,559**	413,454
Settlement of consideration payables		**–**	(56,151)
Decrease (increase) in pledged bank deposits		**61,453**	(24,923)
(Increase) decrease in restricted bank balances		**(519,380)**	166,568
Capital contributions to associates		**(34,292)**	(686,907)
Acquisition of/capital contributions to joint ventures		**(2,277,800)**	(1,802,740)
Net cash used in investing activities		**(3,233,741)**	(13,815,484)
Financing activities			
New borrowings raised		**5,161,272**	10,425,462
Repayment of borrowings		**(6,036,549)**	(7,960,564)
Issue of perpetual capital securities		**–**	4,560,703
Subscription of shares by non-controlling interest of a subsidiary		**2,000,000**	–
Capital contributions from non-controlling interests of subsidiaries		**19,810**	66,100
Repayment of loans from non-controlling interests of subsidiaries		**–**	(294,774)
Dividends paid for non-controlling interests of subsidiaries		**(220,952)**	–
Advances from joint ventures and associates		**1,047,881**	716,193
Dividends paid for perpetual capital securities		**(350,288)**	(174,228)
Issue of ordinary shares		**8,556**	58,465
Dividends paid		**(809,283)**	(521,928)
Interest paid		**(1,383,811)**	(1,195,138)
Net cash (used in) from financing activities		**(563,364)**	5,680,291
Net increase in cash and cash equivalents		**3,063,726**	305,855
Cash and cash equivalents at beginning of the year		**7,926,458**	7,290,782
Effect of foreign exchange rate changes		**(317,058)**	329,821
Cash and cash equivalents at end of the year, represented by bank balances and cash	34	**10,673,126**	7,926,458

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Group are the operation of property development, investment and asset management businesses in Hong Kong and the PRC and the development, operation and management of toll roads through the infrastructure joint ventures in the PRC. The principal activities of the major subsidiaries, associates and joint ventures are detailed in notes 47, 17 and 18 respectively.

The functional currency of the Company and its major subsidiaries and the Group's joint ventures is Renminbi. However, the consolidated financial statements of the Group are presented in Hong Kong dollars as the directors of the Company (the "Directors") consider this presentation is more useful for its current and potential investors.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the new and 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/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

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

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of completed properties held for sale
- Property management and service income

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

Upon application of HKFRS 15, the recognition of significant financing component arising from the sale of properties decreased the retained profits of the Group at 1 January 2018 by HK$57,077,000 and the corresponding tax effect is considered as insignificant to the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000
Current assets					
Inventory of properties	(a)	30,216,830	–	389,468	30,606,298
Capital and reserves					
Reserves	(a)	15,560,264	–	(57,077)	15,503,187
Current liabilities					
Deposits from pre-sale of properties	(b)	15,356,682	(15,356,682)	–	–
Contract liabilities	(a) & (b)	–	15,356,682	446,545	15,803,227
		15,356,682	–	446,545	15,803,227

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) Certain property sales contracts of the Group contain significant financing component after taking into account the difference between the amount of promised consideration and the cash selling price of the property; and the combined effect of the expected length of time between the Group transferring the property to the customer and the customer paying for the property and the prevailing interest rates in the relevant market. The Group recognised the interest expense only to the extent that a contract liability (deposits from pre-sale of properties) is recognised in accounting for the contract with the customers and by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. At the date of initial application, finance costs eligible for capitalisation amounting to HK$389,468,000 have been adjusted to the inventory of properties and finance costs not eligible for capitalisation of HK$57,077,000 have been debited to retained profits with corresponding adjustment of HK$446,545,000 to contract liabilities. The corresponding tax effect is considered as insignificant to the Group.

(b) At the date of initial application, deposits from pre-sale of properties of HK$15,356,682,000 were reclassified to contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following tables summaries the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position at 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Non-current assets			
Deferred tax assets	130,176	(19,961)	110,215
Current assets			
Inventory of properties	31,614,778	(321,106)	31,293,672
Total assets	78,951,703	(341,067)	78,610,636
Capital and reserves			
Reserves	17,323,129	114,810	17,437,939
Total equity	24,767,442	114,810	24,882,252
Current liabilities			
Contract liabilities	16,288,131	(16,288,131)	–
Deposits from pre-sale of properties	–	15,832,254	15,832,254
Total equity and liabilities	78,951,703	(341,067)	78,610,636

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of profit or loss for the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Revenue	22,365,223	(684,186)	21,681,037
Cost of sales	(12,300,781)	517,590	(11,783,191)
Finance costs	(683,774)	248,985	(434,789)
Profit before taxation	9,497,056	82,389	9,579,445
Profit for the year	3,698,603	61,791	3,760,394

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Profit for the year	3,698,603	61,791	3,760,394
Other comprehensive expense	(936,353)	(4,059)	(940,412)
Total comprehensive income for the year	2,762,250	57,732	2,819,982

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.1 HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

Impact on the consolidated statement of cash flows for the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
OPERATING ACTIVITIES			
Profit before taxation	**9,497,056**	**82,389**	**9,579,445**
Adjustment for finance costs	**683,774**	**(248,985)**	**434,789**
Decrease in properties under development for sale	**4,003,722**	**166,596**	**4,170,318**
Decrease in deposits from pre-sale of properties	**–**	**(990,226)**	**(990,226)**
Decrease in contract liabilities	**(990,226)**	**990,226**	**–**

The explanations of the above changes affected in the current period by the application of HKFRS 15 as compared to HKAS 18 and the related Interpretations are set out in notes (a) and (b) above for describing the adjustments made to the consolidated statement of financial position at 1 January 2018 upon adoption of HKFRS 15.

2.2 HKFRS 9 "Financial Instruments"

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.2 HKFRS 9 "Financial Instruments" *(Continued)*

Summary of effects arising from initial application of HKFRS 9

(a) Financial assets at FVTPL

The Group has structured foreign currency forward contracts classified as financial assets at FVTPL under HKAS 39. These derivatives continued to be measured at FVTPL upon application of HKFRS 9.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade debtors. Except for those which had been determined as credit impaired under HKAS 39, trade debtors have been assessed individually.

ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances, other debtors, loan receivables and amounts due from joint ventures, are assessed on a 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantees provided to banks for mortgage facilities granted to customers of the Group's properties and banking facilities granted to joint ventures with a total of HK$13,065,294,000 (2017: HK$10,530,150,000), the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

2.3 Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) HK$'000	HKFRS 15 HK$'000	1 January 2018 (Restated) HK$'000
Current assets			
Inventory of properties	30,216,830	389,468	30,606,298
Total assets	69,735,458	389,468	70,124,926
Capital and reserves			
Reserves	15,560,264	(57,077)	15,503,187
Total equity	21,614,426	(57,077)	21,557,349
Current liabilities			
Deposits from pre-sale of properties	15,356,682	(15,356,682)	–
Contract liabilities	–	15,803,227	15,803,227
Total equity and liabilities	69,735,458	389,468	70,124,926

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

HKFRS 16 "Leases" *(Continued)*

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. 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.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of HK$65,098,000 as disclosed in note 41. 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 for low value or short-term leases.

In addition, the Group currently had insignificant balances of refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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 of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values at the end of each reporting period, 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 and services.

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.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 where 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 Company 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.

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 owners of the Company, to owners of the perpetual capital securities and to non-controlling interests of subsidiaries. Total comprehensive income and expense of subsidiaries attributed to owners of the Company, to owners of the perpetual capital securities and to non-controlling interests even if this results in non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Changes in the Group's interests in existing subsidiaries *(Continued)*

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 the 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 HKFRS 9/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 the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other 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.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods and provision of services are recognised when the goods are delivered and titles have passed and services are provided, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of properties

Revenue from sale of properties is recognised when the development of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale and purchase agreements. Deposits received from sale of properties prior to meeting the criteria for revenue recognition are recorded as "Deposits from pre-sale of properties" under current liabilities.

Property rentals

Rentals receivable under operating leases are recognised and credited to the consolidated statement of profit or loss on a straight line basis over the relevant lease term.

Contingent rental income (representing income over and above base rent), is recognised according to the terms of the lease agreements when the amount can be reliably measured, in the accounting period in which they are earned.

Property management income

Property management income is recognised when the related services are rendered.

Others

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

Investment properties

Investment properties are property held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values 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.

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 disposals. Any gain or loss arising on derecognition of the asset (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.

For a transfer from inventory of properties to investment property (which is evidenced by inception of an operating lease to another party) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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)*

Interests in associates and joint ventures *(Continued)*

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios until the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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, investments in associates and joint ventures are 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 associates and joint ventures based on the predetermined profit sharing ratio. Changes in net assets of the associate/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 an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or 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 associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or 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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interests in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or 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.

Toll road operation rights of joint ventures

When applying the equity method of accounting, the concession intangible assets, which are the toll road operation rights of the Group's infrastructure joint ventures, are amortised to write off their cost over their expected useful lives or the remaining concession period, whichever is shorter, commencing from the date of commencement of operation of the underlying toll roads using an amortisation method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed. The annual amortisation is calculated by applying the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the underlying toll roads over the respective remaining concession period to the net carrying value of the assets. The expected 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

The receivable amount of tangible assets are estimated individually, 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 the current market assessments of the time value of money and risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measureable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventory of properties

Properties under development for sale and completed properties held for sale are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less anticipated selling expenses and costs to completion, if applicable.

The cost of properties under development for sale comprises land costs, construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable expenses incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities and its joint ventures are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 foreign currency translation reserve (attributed to non-controlling interests of subsidiaries as appropriate).

Leases

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 the other leases are classified as operating leases.

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. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term. Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Contingent rental income (representing income over and above base rent), is recognised according to the terms of the lease agreements when the amount can be reliably measured, in the accounting period in which they are earned.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and buildings elements, the Group assesses the classification of each element as a finance or an operating lease 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 for 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 buildings 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 land leases in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease 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 financial lease.

Retirement benefit costs

Payments to the state-managed retirement benefit scheme operated by the government and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

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 the profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for 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 deductibles temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and an associate, 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit 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 rate (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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 except for trade debtors arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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 financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other debtors, loan receivables, amounts due from joint ventures, pledged bank deposits and bank balances), lease receivables and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade debtors. The ECL on these assets are assessed individually.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(i) Significant increase in credit risk

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

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

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

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other debtors, amounts due from related parties and loan receivables are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Continued)*

(v) Measurement and recognition of ECL (Continued)

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9, and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors and financial guarantee contracts, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

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 recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) *(Continued)*

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 37(c)(i).

(ii) 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 amounts due from joint ventures, loan receivables, debtors, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or 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, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets 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. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, 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 trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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 recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including creditors and accrued charges, bank and other borrowings, and amounts due to joint ventures and an associate are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (before application of HKFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derivative financial instruments *(Continued)*

Embedded derivatives (under HKFRS 9 since 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of HKFRS 9 on 1 January 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Share-based payments

Equity-settled share-based payments to employees and the Directors providing similar services 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 options reserve). 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 options 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.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. 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 options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, 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.

The following are 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.

Amortisation of toll road operation rights

Amortisation of toll road operation rights of the Group's infrastructure joint ventures is calculated based on the traffic volume for a particular year to the projected total traffic volume throughout the operating years of the respective toll roads. Estimation of total traffic volume over the remaining concession period is reviewed by the management at the end of each reporting period taking into consideration of the actual traffic volume in the recent periods, the current and future development of the transportation network and government policies of the region, market competition, growth rate of vehicle sales and forecast economic growth of the PRC, etc. Adjustments may need to be made to the Group's share of amortisation of toll road operation rights of infrastructure joint ventures should there be a material difference between the projected total traffic volume and the actual volume. The carrying amount of interests in infrastructure joint ventures at 31 December 2018 is HK$3,161,416,000 (2017: HK$3,409,565,000).

Net realisable values of inventory of properties

The assessment of the net realisable values of the properties under development for sale involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location and construction costs to be incurred to complete the development based on existing asset structure and construction material price lists. If the actual net realisable values of the underlying properties under development for sale are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result. The carrying amount of properties under development for sale at 31 December 2018 is HK$27,349,786,000 (2017: HK$24,675,473,000).

In addition, management exercises its judgment in making allowance for inventory of completed properties held for sale with reference to the existing market environment, the sales performance in previous years and estimated net realisable value of the properties, i.e. the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. A specific allowance for completed properties held for sale is made if the estimated net realisable value of the properties is lower than its carrying amount. If the actual net realisable values of the completed properties held for sale are less than expected as a result of change in market condition, material provision for impairment losses may result. The carrying amount of the completed properties held for sale at 31 December 2018 is HK$4,264,992,000 (2017: HK$5,541,357,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Directors are responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The Directors regularly assess the impact and the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and investment properties. Notes 37(c) and 16 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain projects of the Group have not finalised their land appreciation tax calculations and payments with the local tax authorities in the PRC. Accordingly, significant estimate is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of the Group's revenue from contracts with customers

	For the year ended 31 December 2018		
Segment	Property development and investment HK$'000	Investment and asset management HK$'000	Total HK$'000
Types of goods or services			
Property sales	21,379,649	11,153	21,390,802
Property management and service income	647,336	24,311	671,647
Total	22,026,985	35,464	22,062,449
Geographical market			
Mainland China	22,026,985	35,464	22,062,449
Timing of revenue recognition			
Goods recognised at a point in time	21,379,649	11,153	21,390,802
Services recognised over time	647,336	24,311	671,647
Total	22,026,985	35,464	22,062,449

5. REVENUE *(CONTINUED)*

A. For the year ended 31 December 2018 *(Continued)*

(i) Disaggregation of the Group's revenue from contracts with customers *(Continued)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2018		
	Property development and investment HK$'000	**Investment and asset management HK$'000**	**Total HK$'000**
Property sales	**21,379,649**	**11,153**	**21,390,802**
Property management and service income	**647,336**	**24,311**	**671,647**
Revenue from contracts with customers	**22,026,985**	**35,464**	**22,062,449**
Fund investment income (note)	**–**	**173,874**	**173,874**
Gross rental and other income from commercial properties	**116,173**	**12,727**	**128,900**
Other revenue	**116,173**	**186,601**	**302,774**
Total revenue (note 6)	**22,143,158**	**222,065**	**22,365,223**

Note: It represents interest revenue on loan receivables calculated by using effective interest method.

(ii) Performance obligations for contracts with customers

For contracts entered into with customers on sale of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms and the legal environment in the PRC, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

5. REVENUE *(CONTINUED)*

A. For the year ended 31 December 2018 *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

The Group receives 30% to 100% of the contract value as deposits from customers when they sign the sale and purchase agreement while construction work of property is still ongoing. Certain customers who use mortgage loans provided by the banks and the remaining total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group considers the advance payment schemes contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liability during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer. The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts which are expected to be completed within one year from the date of payment made by customers.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 amounting to HK$14.8 billion. Management expects that 84% and 16% of the amount will be recognised in profit or loss within one year and more than one year respectively. The amount disclosed above does not include unsatisfied performance obligation that were related to the Group’s contracts with customers with an original duration of one year or less.

All property management and service income are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE *(CONTINUED)*

B. Total Revenue of the Group

	2018 HK$'000	2017 HK$'000
Property sales	**21,390,802**	14,097,717
Property management and service income	**671,647**	431,503
Fund investment income	**173,874**	134,631
Gross rental and other income from commercial properties (note)	**128,900**	91,919
Total revenue of the Group	**22,365,223**	14,755,770
Group's share of revenue of property joint ventures	**3,048,339**	172,250
Group's share of toll revenue of infrastructure joint ventures	**1,575,363**	1,332,329
Revenue of the Group and Group's share of revenue of joint ventures	**26,988,925**	16,260,349

Note: The rental related outgoings were insignificant to the Group.

6. SEGMENT INFORMATION

The Group's operating segments, based on the information reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance are as follows:

Property development and investment – development of properties for sale and for rental income and/or potential capital appreciation

Toll road – development, operation and management of toll roads

Investment and asset management – property development and investment, integrated with funds, cultural attractions and tourism and entertainment and content development businesses

No other operating segments have been aggregated in arriving at the reportable segments of the Group.

6. SEGMENT INFORMATION *(CONTINUED)*

The following is an analysis of the Group's revenue, profit, assets, liabilities and other information by operating and reportable segments for the years under review:

	2018				2017			
	Property development and investment HK$'000	Toll road HK$'000	Investment and asset management HK$'000	Total HK$'000	Property development and investment HK$'000	Toll road HK$'000	Investment and asset management HK$'000	Total HK$'000
Segment revenue	22,143,158	–	222,065	22,365,223	14,414,002	–	341,768	14,755,770
Segment profit	2,959,317	578,446	245,847	3,783,610	1,999,848	414,595	114,856	2,529,299
Segment assets (including interests in joint ventures and associates)	63,643,205	5,299,866	7,902,496	76,845,567	54,807,629	4,518,538	8,975,235	68,301,402
Segment liabilities	(48,875,061)	(269,898)	(3,313,815)	(52,458,774)	(42,422,077)	(66,585)	(4,071,992)	(46,560,654)

(a) Measurement

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents profit earned by each segment, which includes share of results of associates, share of results of joint ventures, net (losses) gains on disposal of subsidiaries, gain on disposal of interest in a joint venture, fair value gains on transfer of completed properties held for sale to investment properties, change in fair value of investment properties, change in fair value of financial assets at FVTPL, net exchange (losses) gains, depreciation of property, plant and equipment, relevant interest income, finance costs and income tax expenses attributable to the relevant segment but without allocation of headquarters income and expenses.

Segment revenue comprises revenue from external customers. There was no inter-segment revenue.

Segment assets include property, plant and equipment, investment properties, interests in associates, interests in joint ventures, long-term prepayments, inventory of properties, prepayment for land leases, amounts due from joint ventures, loan receivables, debtors, deposits and prepayments, prepaid income tax, financial assets at FVTPL, pledged bank deposits, bank balances and cash and deferred tax assets which are directly attributable to the relevant reportable segment.

Segment liabilities include creditors and accrued charges, amounts due to joint ventures and an associate, contract liabilities, deposits from pre-sale of properties, income tax payable, bank and other borrowings and deferred tax liabilities which are directly attributable to the relevant reportable segment.

6. SEGMENT INFORMATION *(CONTINUED)*

(a) Measurement *(Continued)*

Additions to non-current assets are the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year and comprise purchase of property, plant and equipment, investment properties and capital contributions to joint ventures and associates directly attributable to the segment.

(b) Reconciliation of total segment profit, total segment assets and total segment liabilities

	2018 **HK$'000**	2017 HK$'000
Total segment profit	**3,783,610**	2,529,299
Unallocated items:		
Interest income	**4,252**	3,051
Corporate income	**92**	183
Corporate expenses	**(33,395)**	(6,435)
Finance costs	**(55,956)**	(50,104)
Consolidated profit for the year	**3,698,603**	2,475,994
Total segment assets	**76,845,567**	68,301,402
Unallocated assets:		
Property, plant and equipment	**19**	50
Deposits and prepayments	**60,014**	6,656
Financial assets at FVTPL	**26,713**	1,177
Bank balances and cash	**2,019,390**	1,426,173
Consolidated total assets	**78,951,703**	69,735,458
Total segment liabilities	**(52,458,774)**	(46,560,654)
Unallocated liabilities:		
Accrued charges	**(10,965)**	(105,733)
Bank and other borrowings	**(1,714,522)**	(1,454,645)
Consolidated total liabilities	**(54,184,261)**	(48,121,032)

6. SEGMENT INFORMATION *(CONTINUED)*

(c) Other segment information

	2018					2017				
	Property development and investment HK$'000	Toll road HK$'000	Investment and asset management HK$'000	Unallocated HK$'000	Consolidated total HK$'000	Property development and investment HK$'000	Toll road HK$'000	Investment and asset management HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Amounts included in the measure of segment profit or segment assets:										
Interest income	738,242	26,797	9,462	4,252	778,753	345,328	7,742	23,626	3,051	379,747
Net (losses) gains on disposal of subsidiaries	(339)	–	–	–	(339)	29,393	–	27,338	–	56,731
Gain on disposal of interest in a joint venture	–	–	33,330	–	33,330	–	–	–	–	–
Fair value gains on transfer of completed properties held for sale to investment properties	–	–	–	–	–	–	–	1,374	–	1,374
Change in fair value of investment properties	53,510	–	21,492	–	75,002	(9,426)	–	121,379	–	111,953
Depreciation	(29,230)	(308)	(1,343)	(30)	(30,911)	(12,873)	(233)	(368)	(50)	(13,524)
Finance costs	(580,631)	–	(47,187)	(55,956)	(683,774)	(278,789)	–	(34,474)	(50,104)	(363,367)
Income tax expenses	(5,749,235)	(32,049)	(17,169)	–	(5,798,453)	(2,861,550)	(27,636)	(76,208)	–	(2,965,394)
Share of results of associates	–	–	(14,109)	–	(14,109)	–	–	(9,598)	–	(9,598)
Share of results of joint ventures	67,338	664,151	241,210	–	972,699	(35,917)	533,994	(27,114)	–	470,963
Interests in associates	–	–	811,115	–	811,115	–	–	825,405	–	825,405
Interests in joint ventures	5,028,516	3,161,416	1,772,992	–	9,962,924	2,281,303	3,409,565	773,741	–	6,464,609
Financial assets at FVTPL	106,851	–	514,286	26,713	647,850	4,712	–	–	1,177	5,889
Additions to non-current assets during the year	1,305,727	17,284	1,087,609	–	2,410,620	1,524,708	107	365,208	–	1,890,023

(d) Revenue from major products and services

The Group's revenue for the year mainly comprises sale of completed residential properties developed by the Group for sale purposes.

(e) Information about geographical areas

All of the Group's revenue is attributable to customers in the PRC and over 85% of the Group's total non-current assets (excluding deferred tax assets and financial instruments) are located in the PRC and the remaining non-current assets are located in Hong Kong.

(f) Information about major customers

In view of the nature of the toll road business, there are no major customers. For the property business and investment and asset management business, there was no customer who accounted for over 10% of the total revenue generated from the relevant operating and reportable segments.

7. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Net exchange (losses) gains	**(396,015)**	443,442
Change in fair value of financial assets at FVTPL	**182,627**	(349,528)
	(213,388)	93,914
Net (losses) gains on disposal of subsidiaries	**(339)**	56,731
Gain on disposal of interest in a joint venture	**33,330**	–
Gains on disposal of property, plant and equipment	**1,001**	759
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	1,374
Change in fair value of investment properties	**75,002**	111,953
	(104,394)	264,731

8. SHARE OF RESULTS OF JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Share of profits of infrastructure joint ventures before amortisation and taxation	**1,130,839**	948,451
Less share of: Amortisation of toll road operation rights	**(256,898)**	(229,718)
Income tax expenses	**(209,790)**	(184,739)
	664,151	533,994
Share of profits (losses) of other joint ventures	**308,548**	(63,031)
	972,699	470,963

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on borrowings	**1,344,274**	1,116,685
Interest on loans from non-controlling interests of subsidiaries	**–**	4,321
Other interest and finance costs (note 2.1)	**415,287**	142,154
	1,759,561	1,263,160
Less: Capitalised in properties under development for sale	**(1,075,787)**	(899,793)
	683,774	363,367

Borrowing costs on general borrowings capitalised during the year are calculated by applying a capitalisation rate of 5.06% (2017: 5.10%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**31,791**	14,350
Less: Capitalised in properties under development for sale	**(880)**	(826)
	30,911	13,524
Minimum lease payments paid under operating lease rentals in respect of land and buildings	**14,470**	19,388
Salaries and other benefits	**925,371**	699,963
Provident fund scheme contributions, net of forfeited contributions of HK$236,000 (2017: HK$53,000)	**122,800**	99,624
Less: Capitalised in properties under development for sale	**(210,125)**	(179,986)
Total staff costs (excluding Directors' emoluments)	**838,046**	619,601
Audit fee	**4,130**	4,000
Cost of inventory of properties recognised as an expense	**11,674,834**	8,474,068
and after crediting:		
Bank interest income	**71,185**	48,929

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

	Notes	Directors' fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	2018 Total HK$'000
Executive Directors						
Zen Wei Pao, William		–	7,253	51,096	725	59,074
Zen Wei Peu, Derek		–	4,588	13,397	–	17,985
Ko Yuk Bing	(a)	–	7,750	44,192	620	52,562
Fong Shiu Leung, Keter		–	3,708	13,258	371	17,337
Non-executive Directors						
Mou Yong		345	–	–	–	345
Dong Fang		345	–	–	–	345
Independent Non-executive Directors						
Lau Sai Yung		607	–	–	–	607
Chow Ming Kuen, Joseph	(b)	248	–	–	–	248
Tse Chee On, Raymond		552	–	–	–	552
Wong Wai Ho		574	–	–	–	574
Zhang Yongliang		345	–	–	–	345
		3,016	23,299	121,943	1,716	149,974

	Notes	Directors' fees HK$'000	Salaries and allowances HK$'000	Performance related bonus HK$'000	Retirement scheme contributions HK$'000	2017 Total HK$'000
Executive Directors						
Zen Wei Pao, William		–	6,991	31,405	699	39,095
Zen Wei Peu, Derek		–	4,422	7,483	12	11,917
Ko Yuk Bing	(a)	–	7,583	25,783	598	33,964
Fong Shiu Leung, Keter		–	3,552	8,735	355	12,642
Non-executive Directors						
Lam Wai Hon, Patrick	(c)	161	–	–	–	161
Mou Yong		323	–	–	–	323
Dong Fang		323	–	–	–	323
Independent Non-executive Directors						
Lau Sai Yung		569	–	–	–	569
Chow Ming Kuen, Joseph		559	–	–	–	559
Tse Chee On, Raymond		470	–	–	–	470
Wong Wai Ho		477	–	–	–	477
Zhang Yongliang		323	–	–	–	323
		3,205	22,548	73,406	1,664	100,823

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Directors' emoluments *(Continued)*

Notes:

(a) Mr. Ko Yuk Bing's emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(b) Dr. Chow Ming Kuen, Joseph passed away on 13 October 2018.

(c) Mr. Lam Wai Hon, Patrick retired as a Non-executive Director of the Company with effect from the conclusion of the annual general meeting of the Company held on 18 May 2017.

The performance related bonus is based on the individual performance of the Executive Directors.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The Independent Non-executive Directors' emoluments shown above were for their services as Directors of the Company.

There was no arrangement under which a Director or the Chief Executive waived or agreed to waive any remuneration during the years.

In addition to the above Directors' emoluments, the details of share options held by individual Directors at 31 December 2018 and 31 December 2017 are shown in the Directors' report.

Details of the emoluments of the five highest paid individuals of the Group included 4 (2017: 4) individuals who are Executive Directors of the Company throughout the year and their emoluments are included above. For the remaining one highest paid individual as a staff of the Group, the salaries and allowances, performance related bonus and retirement benefit contributions for the year ended 31 December 2018 were HK$3,219,000 (2017: HK$3,103,000), HK$10,065,000 (2017: HK$11,954,000) and HK$317,000 (2017: HK$306,000), respectively.

During the years ended 31 December 2018 and 2017, no emoluments was paid by the Group to any of the Directors or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSES

	2018 **HK$'000**	2017 HK$'000
Current tax:		
PRC enterprise income tax ("EIT")	**1,898,831**	1,177,316
PRC land appreciation tax ("LAT")	**3,755,200**	1,625,210
PRC withholding tax	**50,469**	70,350
	5,704,500	2,872,876
Deferred tax (note 29)	**93,953**	92,518
	5,798,453	2,965,394

No provision for Hong Kong profits tax has been made as there was no assessable profit derived from Hong Kong.

The EIT is calculated at a statutory tax rate of 25%.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

The income tax expenses for the year is reconciled to profit before taxation as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**9,497,056**	5,441,388
Tax at the applicable income tax rate of 25% (2017: 25%) (note)	**2,374,264**	1,360,347
LAT provision	**3,755,200**	1,625,210
Tax effect of LAT	**(938,800)**	(406,303)
Tax effect of expenses not deductible for tax purpose	**558,661**	334,948
Tax effect of income not taxable for tax purpose	**(26,129)**	(31,171)
Tax effect of share of results of associates	**3,527**	2,400
Tax effect of share of results of joint ventures	**(243,871)**	(117,741)
Tax effect of tax losses not recognised	**26,194**	26,077
Tax effect of utilisation of tax losses previously not recognised	**(8,150)**	(30,968)
Deferred tax on undistributed earnings of PRC subsidiaries and joint ventures	**211,475**	106,011
PRC withholding tax	**50,469**	70,350
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,343**	2,458
Others	**29,270**	23,776
Income tax expenses for the year	**5,798,453**	2,965,394

Note: The domestic tax rate of major subsidiaries in the PRC is used for the reconciliation as it is where the operations of the Group are substantially based.

13. DIVIDENDS PAID

	2018 HK$'000	2017 HK$'000
2017 final dividend paid of HK$0.78 (2017: 2016 final dividend of HK$0.55) per share	**584,483**	409,962
2018 interim dividend paid of HK$0.30 (2017: 2017 interim dividend of HK$0.15) per share	**224,800**	111,966
	809,283	521,928

Subsequent to the end of the reporting period, a final dividend in respect of 2018 of HK$0.88 per share amounting to a total of approximately HK$660 million has been proposed by the Board on 19 March 2019. The amount has not been included as a liability in the consolidated financial statements as it was not declared before the end of the reporting period.

The amount of the proposed final dividend has been calculated on the basis of 749,336,566 shares in issue as at 19 March 2019.

14. EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings for the purposes of basic and diluted earnings per share attributable to owners of the Company	**2,988,242**	1,943,703

	2018 Number of shares '000	2017 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**749,045**	744,645
Effect of dilutive potential ordinary shares:		
Share options	**151**	1,043
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**749,196**	745,688

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2017	766	37,020	47,504	42,044	127,334
Additions	–	13,738	8,781	6,898	29,417
Transfer from investment properties	38,460	31,778	–	–	70,238
Acquisition of subsidiaries	–	–	–	774	774
Disposal of subsidiaries	–	–	(29)	(8,784)	(8,813)
Disposals	–	–	(483)	(5,321)	(5,804)
Exchange adjustments	34	1,674	2,964	4,056	8,728
At 31 December 2017	39,260	84,210	58,737	39,667	221,874
Additions	**7,538**	**72,408**	**9,393**	**6,018**	**95,357**
Transfer from investment properties	**–**	**22,942**	**–**	**–**	**22,942**
Acquisition of subsidiaries	**–**	**–**	**149**	**–**	**149**
Disposal of subsidiaries	**–**	**–**	**(86)**	**(338)**	**(424)**
Disposals	**–**	**–**	**(3,558)**	**(4,185)**	**(7,743)**
Exchange adjustments	**(1,570)**	**(3,368)**	**(2,737)**	**(3,033)**	**(10,708)**
At 31 December 2018	**45,228**	**176,192**	**61,898**	**38,129**	**321,447**
Depreciation					
At 1 January 2017	766	21,777	36,177	26,083	84,803
Charge for the year	1,647	2,202	5,771	4,730	14,350
Eliminated on disposal of subsidiaries	–	–	(1)	(1,224)	(1,225)
Eliminated on disposals	–	–	(434)	(4,456)	(4,890)
Exchange adjustments	93	1,182	2,657	3,767	7,699
At 31 December 2017	2,506	25,161	44,170	28,900	100,737
Charge for the year	**3,272**	**15,966**	**7,590**	**4,963**	**31,791**
Eliminated on disposal of subsidiaries	**–**	**–**	**(12)**	**(23)**	**(35)**
Eliminated on disposals	**–**	**–**	**(3,513)**	**(4,083)**	**(7,596)**
Exchange adjustments	**(201)**	**(1,499)**	**(2,350)**	**(2,483)**	**(6,533)**
At 31 December 2018	**5,577**	**39,628**	**45,885**	**27,274**	**118,364**
Carrying values					
At 31 December 2018	**39,651**	**136,564**	**16,013**	**10,855**	**203,083**
At 31 December 2017	36,754	59,049	14,567	10,767	121,137

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

Leasehold land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease or 5 years, whichever is shorter
Furniture, fixtures and equipment	10% – 25%
Motor vehicles	12.5% – 25%

The Group's leasehold land and buildings are situated in the PRC.

The allocation of leasehold land and buildings elements cannot be made reliably, and the leasehold interests in land are accounted for as property, plant and equipment.

16. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Completed properties, at fair value		
At 1 January	**2,583,810**	2,468,194
Addition during the year	**3,171**	57,110
Transfer from completed properties held for sale (note (a))	**–**	556
Transfer to property, plant and equipment (note (b))	**(22,942)**	(70,238)
Adjustment to the acquisition cost of an investment property (note (c))	**–**	(47,812)
Disposal during the year	**(17,156)**	(53,031)
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	1,374
Change in fair value recognised in profit or loss	**75,002**	111,953
Exchange difference arising on translation to presentation currency	**(105,667)**	115,704
At 31 December	**2,516,218**	2,583,810
Unrealised gain on property revaluation included in profit or loss (included in other gains and losses)	**74,975**	125,513

Notes:

(a) In 2017, the change in use of the properties were evidenced by the commencement of the operating leases.

(b) It was transferred from investment properties to property, plant and equipment due to the change in use from operating leases to owner-occupied property.

(c) In June 2016, the Group entered into an asset acquisition agreement with the independent vendors, to acquire an investment property located in Suzhou at a consideration of RMB255,810,000. The consideration shall be settled by instalments based on the progress for the fulfilment of certain conditions of the investment property set out in the agreement. As certain conditions of the investment property were not fulfilled, the final amount of consideration was reduced by RMB40,162,000 (equivalent to HK$47,812,000) and therefore, the carrying amount of investment properties and the accruals were reduced by the aforesaid amount in 2017.

The investment properties are situated in the PRC. All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of completed investment properties at the date of transfer, 31 December 2018 and 31 December 2017 were determined by reference to valuations carried out by an independent firm of professional valuers not connected to the Group, who had recognised qualifications and relevant experience. The valuation report on these properties was signed by directors of the firm of professional valuers who are members of The Hong Kong Institute of Surveyors.

16. INVESTMENT PROPERTIES *(CONTINUED)*

The valuation of the investment properties is arrived at, using income capitalisation method, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties or, where appropriate, by using direct comparison method by making reference to comparable sales transactions as available in the relevant market. There has been no change from the valuation technique 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.

The details of pledge of investment properties are disclosed in note 44.

The following table gives information about how the fair values of the investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1, 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value **31 December 2018 HK$'000**	31 December 2017 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Completed properties – Commercial properties and shopping mall	**2,446,389**	2,511,072	Level 3	Income capitalisation of the net income and made provisions for reversionary income potential	1. Term yield 2018: 4% – 6.5% (2017: 5% – 6.5%)	The higher the term yield, the lower the fair value
					2. Reversionary yield 2018: 5% – 7% (2017: 5.5% – 7%)	The higher the reversionary yield, the lower the fair value
					3. Market monthly rental rate (RMB/sqm) 2018: RMB130 – RMB222 (2017: RMB109 – RMB211)	The higher the market monthly rental rate, the higher the fair value
Completed properties – Commercial properties and shopping mall	**69,829**	72,738	2018: Level 3 (2017: Level 2)	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions of the subject property	1. Market unit selling price (RMB/sqm) 2018: RMB6,756 – RMB15,727 (2017: RMB6,729 – RMB15,664)	The higher the market unit selling price, the higher the fair value
	2,516,218	2,583,810				

16. INVESTMENT PROPERTIES *(CONTINUED)*

The movement in the balance of completed properties under Level 3 fair value measurements is as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**2,511,072**	2,162,299
Addition during the year	**3,171**	57,110
Transfer into level 3 of fair value hierarchy (note)	**72,738**	217,709
Transfer from completed properties held for sale	**–**	556
Transfer to property, plant and equipment	**(22,942)**	(70,238)
Adjustment to the acquisition cost of an investment property	**–**	(47,812)
Disposal during the year	**(17,156)**	(43,520)
Fair value gains on transfer of completed properties held for sale to investment properties	**–**	1,374
Change in fair value recognised in profit or loss	**75,002**	121,379
Exchange difference arising on translation to presentation currency	**(105,667)**	112,215
At 31 December	**2,516,218**	2,511,072

Note: In light of the significant unobservable inputs of the current year valuation of investment properties, the fair value measurement changed from Level 2 to Level 3.

17. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of unlisted investment	**838,845**	804,553
Share of post-acquisition losses	**(25,396)**	(11,287)
Exchange adjustments	**(2,334)**	32,139
	811,115	825,405

Details of the Group's principal associate at 31 December 2018 and 31 December 2017 were as follows:

Name of entity	Place of incorporation/ registration	Proportion of equity interest of the Group		Proportion of voting right of the Group		Principal activity
		2018	2017	**2018**	2017	
鄭州華首宏田置業有限公司 ("鄭州華首")	PRC	**60%**	60%	**60%**	60%	Development and sale of properties

During the year ended 31 December 2018, the Group has made capital contributions of HK$34,292,000 for the establishment of certain associates engaging in construction design, information technology, culture and tourism in the PRC. The Group can exercise significant influence over the operating and financing activities of the associates.

17. INTERESTS IN ASSOCIATES *(CONTINUED)*

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

	2018 **HK$'000**	2017 HK$'000
Current assets	**2,992,474**	2,867,208
Non-current assets	**11,174**	8,170
Current liabilities	**(1,411,176)**	(1,094,365)
Non-current liabilities	**(792,571)**	(925,595)

	2018 **HK$'000**	2017 HK$'000
Loss and total comprehensive expense for the year	**(21,980)**	(15,996)
The above loss for the year includes the following:		
Depreciation and amortisation	**(314)**	(228)
Interest income	**2,512**	842
Interest expense	**–**	–
Income tax credit	**7,327**	5,373

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

	2018 **HK$'000**	2017 HK$'000
Net assets of an associate	**799,901**	855,418
Proportion of the Group's ownership interest	**60%**	60%
Net assets shared by the Group	**479,941**	513,251
Premium on acquisition	**299,667**	312,154
Carrying amount of the Group's interest in an associate	**779,608**	825,405

18. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Interests in infrastructure joint ventures		
Cost of investments	**4,649,355**	4,782,431
Return of cost of investments (note (a))	**(3,413,436)**	(3,255,204)
Share of post-acquisition profits, net of dividends received	**1,332,275**	1,114,770
Exchange adjustments	**593,222**	767,568
	3,161,416	3,409,565
Interests in property and other joint ventures		
Cost of investments	**6,665,456**	3,026,197
Share of post-acquisition profits (losses), net of dividends received	**356,114**	(15,996)
Exchange adjustments	**(220,062)**	44,843
	6,801,508	3,055,044
	9,962,924	6,464,609

Notes:

(a) Pursuant to the joint venture agreements, the infrastructure joint ventures distribute the cash surplus to the Group and the other venturers based on the agreed net cash distribution. The actual amount of cash distribution varies from time to time and depends on the toll road performance, the amount of operating expenses and capital expenditure incurred by the joint ventures.

(b) In March 2017, the Group entered into an undertaking agreement with an independent third party (the land provider) pursuant to which the Company undertakes for a prompt settlement of 50% of the outstanding debts incurred by a joint venture of the Group for a property development project in Hong Kong. The remaining 50% of the outstanding debts incurred by the joint venture is borne by the other joint venture partner. At 31 December 2018, the carrying amount of the liabilities of the joint venture undertaken by the Group was about HK$2,715,620,000 (2017: HK$2,709,000,000).

(c) During the year ended 31 December 2018, the Group disposed a joint venture 路勁滙通文化旅遊產業發展有限公司 engaging in property development in the PRC at a cash consideration of HK$153,978,000, resulting in a gain on disposal of interest in joint venture amounting to HK$33,330,000. The Group had amount due to the joint venture of HK$56,413,000 prior to the disposal, the net cash received by the Group from the disposal was HK$97,565,000.

(d) During the year ended 31 December 2018, a wholly-owned infrastructure subsidiary of the Company was deregistered and its underlying investment in the infrastructure joint venture was derecognised without significant financial impact to the Group.

(e) During the year ended 31 December 2018, the Group has paid cash consideration of HK$216,334,000 to independent third parties and provided capital contribution in cash amounting to HK$2,061,466,000 to certain joint ventures to obtain the joint control over the investees mainly engaging in property development in the PRC.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures

All infrastructure joint ventures are co-operative joint ventures established and operating in the PRC, details of the Company's principal infrastructure joint ventures at 31 December 2018 and 31 December 2017 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held directly by the Group (note 1)	Principal activities
Hebei Baofa Expressway Co., Ltd.* 河北保發高速公路有限公司	RMB96,287,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong Section) in Hebei, the PRC
Hebei Baofeng Expressway Co., Ltd.* 河北保豐高速公路有限公司	RMB95,700,000	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng – Xiongxian West Section) in Hebei, the PRC
Hebei Baohui Expressway Co., Ltd.* 河北保惠高速公路有限公司	RMB96,007,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong Section) in Hebei, the PRC
Hebei Baojie Expressway Co., Ltd.* 河北保捷高速公路有限公司	RMB97,262,000	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian – Bazhou Section) in Hebei, the PRC
Hebei Baojin Expressway Co., Ltd.* 河北保津高速公路有限公司	RMB96,843,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xushui – Rongcheng Section) in Hebei, the PRC
Hebei Baoli Expressway Co., Ltd.* 河北保利高速公路有限公司	RMB97,359,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian East Section) in Hebei, the PRC
Hebei Baoming Expressway Co., Ltd.* 河北保明高速公路有限公司	RMB90,030,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou – Tianjinjie Section) in Hebei, the PRC
Hebei Baosheng Expressway Co., Ltd.* 河北保昇高速公路有限公司	RMB96,507,600	40%	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Section) in Hebei, the PRC

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held directly by the Group (note 1)	Principal activities
Hebei Baoyi Expressway Co., Ltd.* 河北保怡高速公路有限公司	RMB96,575,200	40%	Investment in and operation and management of Hebei Baojin Expressway (Rongcheng Section) in Hebei, the PRC
Hebei Baoyu Expressway Co., Ltd.* 河北保裕高速公路有限公司	RMB97,426,400	40%	Investment in and operation and management of Hebei Baojin Expressway (Bazhou West Section) in Hebei, the PRC
Hebei Tanghui Expressway Company Limited** 河北唐惠高速公路有限公司	RMB287,324,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang – Fengnan Section) in Hebei, the PRC
Hebei Tangjin Expressway Company Limited** 河北唐津高速公路有限公司	RMB250,300,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan – Jijinjie Section) in Hebei, the PRC
Hebei Tangrun Expressway Company Limited** 河北唐潤高速公路有限公司	RMB172,524,000	45%	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao – Chenzhuang Section) in Hebei, the PRC
Hunan Changyi (Baining) Expressway Co., Ltd.*** 湖南長益(白寧)高速公路有限公司	RMB97,011,500	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Baining Section) in Hunan, the PRC
Hunan Changyi (Cangyi) Expressway Co., Ltd.*** 湖南長益(滄益)高速公路有限公司	RMB98,985,400	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Cangyi Section) in Hunan, the PRC
Hunan Changyi Expressway Co., Ltd.*** 湖南長益高速公路有限公司	RMB98,553,500	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Changbai Section) in Hunan, the PRC
Hunan Changyi (Hengcang) Expressway Co., Ltd.*** 湖南長益(衡滄)高速公路有限公司	RMB101,695,200	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Hengcang Section) in Hunan, the PRC

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held directly by the Group (note 1)	Principal activities
Hunan Changyi (Ningheng) Expressway Co., Ltd.*** 湖南長益(寧衡)高速公路有限公司	RMB98,458,100	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Ningheng Section) in Hunan, the PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd.*** 湖南長益(資江二橋)高速公路有限公司	RMB78,328,300	43.17%	Investment in and development, operation and management of Hunan Changsha – Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, the PRC
Jinzhong Longcheng Expressway Co., Ltd. ("Jinzhong Longcheng Expressway JV") 晉中龍城高速公路有限責任公司	RMB1,497,000,000	45%	Investment in and development, operation and management of Longcheng Expressway in Shanxi, the PRC
Anhui Machao Expressway Co., Ltd. ("Anhui Machao Expressway JV") 安徽省馬巢高速公路有限公司	RMB575,000,000	49%	Investment in and development, operation and management of Machao Expressway in Anhui, the PRC

* These joint ventures are collectively known as Hebei Baojin Expressway JV.
** These joint ventures are collectively known as Hebei Tangjin Expressway JV.
*** These joint ventures are collectively known as Hunan Changsha Expressway JV.

Notes:

1. At 31 December 2018, the interests in joint ventures are indirectly held by RKE, which is 75% (2017: 100%) held by the Group. Therefore, the Group's effective interests in these infrastructure joint ventures decreased in late 2018.

2. Except for Jinzhong Longcheng Expressway JV and Anhui Machao Expressway JV, where the profit/cash sharing ratios are same as the proportion of the registered capital held by the Group over the duration of the joint ventures, the profit/cash sharing ratios in other infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Thereafter, until such time as specified in the joint venture agreements, the other venturers of the joint ventures are entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them as contained in the joint venture agreements. Thereafter, the profit/cash sharing ratios of the joint ventures may be the same as the proportion of their registered capital or in accordance with a predetermined ratio stipulated in the joint venture agreements. For the year ended 31 December 2018 and 2017, the profit/cash sharing ratio entitled by the Group for Hebei Baojin Expressway JV, Hunan Changsha Expressway JV and Hebei Tangjin Expressing JV were 40%, 50% and 45%, respectively.

The above table lists the infrastructure joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Summarised financial information of material infrastructure joint ventures

Summarised financial information in respect of the Group's material infrastructure joint ventures is set out below.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

The summarised financial information below represents amounts shown in the infrastructure joint ventures' financial statements prepared in accordance with HKFRSs. The infrastructure joint ventures are accounted for using the equity method in these consolidated financial statements.

At 31 December 2018

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	Total HK$'000
Non-current assets						
Property and equipment	84,251	83,028	53,025	44,029	127,310	391,643
Concession intangible assets	1,878,480	765,839	908,583	4,775,229	2,728,270	11,056,401
	1,962,731	848,867	961,608	4,819,258	2,855,580	11,448,044
Current assets						
Time deposit	–	–	34,286	–	–	34,286
Bank balances and cash	411,396	330,761	76,606	108,866	118,279	1,045,908
Others	23,362	13,264	68,684	17,049	7,952	130,311
	434,758	344,025	179,576	125,915	126,231	1,210,505
Current liabilities						
Loans from joint venture partners	–	–	46,457	40,000	–	86,457
Bank borrowings	–	–	46,457	80,000	178,857	305,314
Others	102,099	144,290	109,422	110,414	33,653	499,878
	102,099	144,290	202,336	230,414	212,510	891,649
Non-current liabilities						
Bank borrowings	–	–	–	2,960,000	1,538,286	4,498,286
Deferred taxation	287,727	34,438	131,592	129,271	35,443	618,471
	287,727	34,438	131,592	3,089,271	1,573,729	5,116,757
Net assets of joint ventures	2,007,663	1,014,164	807,256	1,625,488	1,195,572	6,650,143
Proportion of equity interests in joint ventures directly held by the Group	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	803,065	456,374	348,492	731,470	585,830	2,925,231
Additional investment cost paid by the Group	–	–	–	–	160,348	160,348
Other adjustments (note)	51,004	(9,360)	9,074	–	–	50,718
Carrying amount of the Group's interests in joint ventures	854,069	447,014	357,566	731,470	746,178	3,136,297

Note:

Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

For the year ended 31 December 2018

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	Total HK$'000
Toll revenue (net of sales related tax)	1,093,506	836,701	806,567	468,784	300,425	3,505,983
Construction revenue	–	–	–	94,072	–	94,072
Total revenue	1,093,506	836,701	806,567	562,856	300,425	3,600,055
Construction costs	–	–	–	(94,072)	–	(94,072)
Other income	6,172	1,556	25,351	4,870	1,072	39,021
Toll operation expenses	(168,052)	(147,946)	(139,198)	(56,993)	(18,146)	(530,335)
Administrative expenses	(28,077)	(39,084)	(31,890)	(12,148)	(8,686)	(119,885)
Depreciation and amortisation charges	(141,505)	(195,010)	(167,246)	(83,554)	(66,333)	(653,648)
Finance costs	–	–	(6,571)	(157,941)	(94,461)	(258,973)
Income tax expenses	(189,147)	(114,623)	(122,309)	(8,141)	(33,561)	(467,781)
Profit and total comprehensive income for the year	572,897	341,594	364,704	154,877	80,310	1,514,382
Cash distributions received from joint ventures during the year	223,059	299,223	211,529	–	10,082	743,893

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

At 31 December 2017

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	Total HK$'000
Non-current assets						
Property and equipment	97,905	104,534	52,107	11,802	149,452	415,800
Concession intangible assets	2,077,686	969,901	1,106,216	4,961,169	2,889,442	12,004,414
	2,175,591	1,074,435	1,158,323	4,972,971	3,038,894	12,420,214
Current assets						
Time deposit	–	–	47,619	–	–	47,619
Bank balances and cash	285,389	409,672	109,824	60,971	156,270	1,022,126
Others	13,455	33,504	56,548	35,400	6,874	145,781
	298,844	443,176	213,991	96,371	163,144	1,215,526
Current liabilities						
Loans from joint venture partners	–	–	48,429	125,000	–	173,429
Bank borrowings	–	–	48,429	71,429	188,214	308,072
Others	107,822	73,965	113,262	78,655	28,246	401,950
	107,822	73,965	210,120	275,084	216,460	883,451
Non-current liabilities						
Loans from a joint venture partner	–	–	48,393	–	–	48,393
Bank borrowings	–	–	48,393	3,166,667	1,788,690	5,003,750
Deferred taxation	287,192	38,446	151,063	126,439	11,129	614,269
	287,192	38,446	247,849	3,293,106	1,799,819	5,666,412
Net assets of joint ventures	2,079,421	1,405,200	914,345	1,501,152	1,185,759	7,085,877
Proportion of the Group's interest	40%	45%	43.17%	45%	49%	N/A
Net assets shared by the Group	831,768	632,340	394,723	675,518	581,022	3,115,371
Additional investment cost paid by the Group	–	–	–	–	169,671	169,671
Other adjustments (note)	58,482	(10,285)	12,100	–	–	60,297
Carrying amount of the Group's interests in joint ventures	890,250	622,055	406,823	675,518	750,693	3,345,339

Note:

Other adjustments mainly represent the accumulated differences of the Group's share of the net assets of the individual joint ventures based on the profit/cash sharing ratio of joint ventures during their respective operating periods and the Group's equity interests in the joint ventures.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Infrastructure joint ventures *(Continued)*

Summarised financial information of material infrastructure joint ventures *(Continued)*

For the year ended 31 December 2017

	Hebei Baojin Expressway JV HK$'000	Hebei Tangjin Expressway JV HK$'000	Hunan Changsha Expressway JV HK$'000	Jinzhong Longcheng Expressway JV HK$'000	Anhui Machao Expressway JV HK$'000	Total HK$'000
Toll revenue (net of sales related tax)	910,489	680,246	767,912	345,594	250,101	2,954,342
Construction revenue	10,575	–	17,151	34,744	14,279	76,749
Total revenue	921,064	680,246	785,063	380,338	264,380	3,031,091
Construction costs	(10,575)	–	(17,151)	(34,744)	(14,279)	(76,749)
Other income	6,529	2,060	5,060	2,789	46,281	62,719
Toll operation expenses	(144,615)	(89,456)	(89,137)	(44,669)	(9,185)	(377,062)
Administrative expenses	(29,985)	(33,153)	(30,932)	(11,211)	(8,537)	(113,818)
Depreciation and amortisation charges	(127,167)	(175,010)	(157,980)	(69,004)	(54,817)	(583,978)
Finance costs	–	–	(11,434)	(156,526)	(98,979)	(266,939)
Income tax expenses	(156,862)	(97,014)	(119,934)	(15,484)	(22,134)	(411,428)
Profit and total comprehensive income for the year	458,389	287,673	363,555	51,489	102,730	1,263,836
Cash distributions received from joint ventures during the year	222,432	174,873	217,695	–	–	615,000

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Property joint ventures

Particulars of the Group's interests in principal property joint ventures as at 31 December 2018 and 31 December 2017 are as follows:

Name of property joint ventures	Place of incorporation/ registration	Proportion of equity interest of the Group		Proportion of voting right of the Group		Principal activities
		2018	2017	**2018**	2017	
無錫雋泰房地產開發有限公司 ("無錫雋泰")	PRC	**60%**	–	**60%** (note (a))	–	Development and sale of properties
濟南雋茂置業有限公司 ("濟南雋茂")	PRC	**50%**	–	**50%**	–	Development and sale of properties
常州雅勁房地產開發有限公司 ("常州雅勁")	PRC	**49%**	49%	**40%**	40%	Development and sale of properties
常州勁雅房地產開發有限公司 ("常州勁雅")	PRC	**51%**	51%	**60%** (note (a))	60%	Development and sale of properties
蘇州中交路勁地產有限公司 ("蘇州中交")	PRC	**51%**	51%	**50%**	50%	Development and sale of properties
蘇州勁商房地產開發有限公司 ("蘇州勁商")	PRC	**33%**	33%	**20%**	20%	Development and sale of properties
Both Win Development Limited ("Both Win")	Hong Kong	**60%**	60%	**60%** (note (a))	60%	Investment holding

Notes:

(a) Although the Group has more than 50% voting rights for the companies, the board resolutions need the unanimous consent of the directors appointed by each joint venture partner and these companies are accounted for as joint ventures of the Group.

The above table lists the property joint ventures of the Group which, in opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Property joint ventures *(Continued)*

Summarised financial information of material property joint ventures

At 31 December 2018

	無錫雋泰 HK$'000	濟南雋茂 HK$'000	常州雅勁 HK$'000	常州勁雅 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win* HK$'000	Total HK$'000
Current assets	1,769,167	1,725,910	2,756,664	2,288,535	5,504,757	4,625,631	1,820,030	20,490,694
Non-current assets	3,228	261	3,309	3,251	13	8,110	11,784	29,956
Current liabilities	(523,009)	(584,096)	(1,183,581)	(952,343)	(530,055)	(2,030,875)	(1,202,533)	(7,006,492)
Non-current liabilities	(502,857)	–	(732,649)	(514,286)	(4,085,674)	–	(19,051)	(5,854,517)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	288,996	6,809	27,474	69,000	264,591	222,845	50,025	929,740
Net assets of joint ventures	746,529	1,142,075	843,743	825,157	889,041	2,602,866	610,230	7,659,641
Proportion of the Group's interests	60%	50%	49%	51%	51%	33%	60%	N/A
Net assets shared by the Group	447,917	571,038	413,434	420,830	453,411	858,946	366,138	3,531,714
Premium on acquisition	–	–	–	–	–	–	213,755	213,755
Carrying amount of the Group's interests in joint ventures	447,917	571,038	413,434	420,830	453,411	858,946	579,893	3,745,469

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Property joint ventures *(Continued)*

Summarised financial information of material property joint ventures *(Continued)*

For the year ended 31 December 2018

	無錫雋泰 HK$'000	濟南雋茂 HK$'000	常州雅勁 HK$'000	常州勁雅 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win* HK$'000	Total HK$'000
(Loss) profit and total comprehensive (expense) income for the year	(8,003)	(807)	(10,217)	(10,024)	(20,928)	(24,881)	576,700	501,840
The above (loss) profit for the year includes the following:								
Depreciation and amortisation	(69)	–	–	–	(4)	(6)	(64)	(143)
Interest income	224	4	293	254	2,249	375	2,351	5,750
Interest expense	–	–	–	–	–	–	(9,130)	(9,130)
Income tax credit (expense)	2,668	269	3,406	3,341	6,976	8,299	(431,470)	(406,511)

At 31 December 2017

	河北建投* HK$'000	常州雅勁 HK$'000	廣州雋宏 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win* HK$'000	Total HK$'000
Current assets	1,451,942	2,559,550	4,161,005	4,751,181	4,068,154	2,079,402	19,071,234
Non-current assets	831,759	–	14,556	9	–	72,861	919,185
Current liabilities	(781,755)	(1,670,337)	(3,621,837)	(232,592)	(2,641,242)	(1,610,705)	(10,558,468)
Non-current liabilities	(962,768)	–	–	(3,571,387)	–	(488,095)	(5,022,250)
The above amounts of assets and liabilities include the following:							
Cash and cash equivalents	391,964	23,788	293,372	231,540	1,929	548,540	1,491,133
Net assets of joint ventures	539,178	889,213	553,724	947,211	1,426,912	53,463	4,409,701
Proportion of the Group's interests	45%	49%	51%	51%	33%	60%	N/A
Net assets shared by the Group	242,630	435,714	282,399	483,078	470,881	32,078	1,946,780
Premium on acquisition	–	–	–	–	–	366,421	366,421
Carrying amount of the Group's interests in joint ventures	242,630	435,714	282,399	483,078	470,881	398,499	2,313,201

18. INTERESTS IN JOINT VENTURES *(CONTINUED)*

Property joint ventures *(Continued)*

Summarised financial information of material property joint ventures *(Continued)*

For the year ended 31 December 2017

	河北建投* HK$'000	常州雅勁 HK$'000	廣州雋宏 HK$'000	蘇州中交 HK$'000	蘇州勁商 HK$'000	Both Win* HK$'000	Total HK$'000
Loss and total comprehensive expense for the year	(2,232)	–	(14,340)	(2,545)	(1,602)	(14,019)	(34,738)
The above loss for the year includes the following:							
Depreciation and amortisation	–	–	(101)	(156)	–	(37)	(294)
Interest income	2,030	–	871	1,058	53	2,130	6,142
Interest expense	(51,070)	–	–	–	–	–	(51,070)
Income tax (expense) credit	(25,804)	–	9,385	1,664	534	13,414	(807)

* Being consolidated figures of the joint ventures and their subsidiaries.

Aggregate information of joint ventures that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit (loss) and total comprehensive income (expense) for the year	**128,262**	(64,184)

19. AMOUNTS DUE FROM JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Current portion	**3,713,510**	6,622,181
Non-current portion	**10,180,660**	8,270,231
	13,894,170	14,892,412
Analysed into:		
Interest bearing at fixed interest rate ranging from 4.75% to 10% (2017: 4.75% to 8%) per annum	**8,698,282**	9,690,541
Interest bearing at variable interest rate at 10% over the lending rate (2017: 10% over the lending rate) set by the People's Bank of China ("PBOC") per annum	**749,782**	663,287
Interest-free	**4,446,106**	4,538,584
	13,894,170	14,892,412

The amounts due from joint ventures are all unsecured and the Group expects to receive the current portion within twelve months from the end of the reporting period based on the development and pre-sales status of the property projects of property joint ventures and the performance of the infrastructure joint ventures.

No impairment loss has been recognised in the current and prior year. Details of impairment assessment for the year ended 31 December 2018 are set out in note 37(b)(ii).

20. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Fixed-rate loan receivables	**1,430,587**	1,849,747
Variable-rate loan receivable	**900,062**	–
Interest-free loan receivables	**26,667**	9,921
Total loan receivables	**2,357,316**	1,859,668
Less: Amounts classified as current assets	**(2,161,126)**	(744,203)
Amount due over one year shown and classified as non-current assets	**196,190**	1,115,465

20. LOAN RECEIVABLES *(CONTINUED)*

The loan receivables are denominated in Renminbi. Other than the loan receivable of HK$900,062,000 due from an independent third party ("Party A"), which is unsecured and guaranteed by a PRC state-owned enterprise ("Party B"), the remaining balances are either secured by properties of the borrowers or the equity interests in the property companies owned by the borrowers. On 6 March 2019, the Group has entered into a capital injection agreement with Party B and another independent investor for the Group to obtain 30% equity interest in Party A, which holds a piece of land in Guangzhou, the PRC for property development. The said loan receivable will be subsequently used for the capital contribution or shareholder loans for acquiring the interests in Party A.

No impairment loss has been recognised in the current and prior year for loan receivables. Details of impairment assessment for the year ended 31 December 2018 are set out in note 37(b)(ii).

As at 31 December 2018, the maturity dates of loan receivables with insignificant amounts brought forward from prior year have been extended.

The exposure of the Group's loan receivables to interest rate risks and the contractual maturity dates are as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**2,161,126**	744,203
In more than one year but not more than two years	**–**	950,782
In more than two years but not more than five years	**196,190**	164,683
	2,357,316	1,859,668

The range of interest rates on the Group's loan receivables are as follows:

	2018	2017
Fixed-rate loan receivables	**8.4% – 20%**	5% – 21%
Variable-rate loan receivable	**5.22%**	N/A

21. INVENTORY OF PROPERTIES

	2018	2017
	HK$'000	HK$'000
Completed properties held for sale	**4,264,992**	5,541,357
Properties under development for sale (note)	**27,349,786**	24,675,473
	31,614,778	30,216,830

Note: Included in the amount are properties under development for sale of HK$17,148,043,000 (2017: HK$18,749,868,000) which are expected to be completed and available for sale to the customers more than twelve months from the end of the reporting period.

22. PREPAYMENT FOR LAND LEASES

As at 31 December 2018, the total consideration prepaid in full of HK$606,284,000 (2017: HK$186,524,000) in accordance with the sale and purchase agreements entered into with the PRC local government for the acquisition of certain pieces of land in the PRC for property development for sale is classified as current assets. Upon the delivery of relevant land title document to the Group, the prepaid amount which represents the land purchase costs of those pieces of land will be recognised as "properties under development for sale" under "inventory of properties".

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2018 **HK$'000**	2017 HK$'000
Aged analysis of trade debtors, presented based on invoice dates (note (a)):		
Within 60 days	**65,899**	22,036
61 to 90 days	**6,678**	1,093
More than 90 days	**31,530**	34,163
Trade debtors derived from goods and services	**104,107**	57,292
Prepayment for land development cost (note (b))	**586,286**	574,470
Deposits paid for acquisition of inventory of properties (note (c))	**694,857**	468,631
Prepayment of value added tax and other taxes	**1,451,347**	786,497
Prepayment for property, plant and equipment and investment properties	**70,200**	70,020
Other receivables, deposits and prepayments (note (d))	**744,581**	1,195,456
Total debtors, deposits and prepayments	**3,651,378**	3,152,366
Less: Amounts classified as non-current assets	**(70,200)**	(70,020)
Amounts classified as current assets	**3,581,178**	3,082,346

23. DEBTORS, DEPOSITS AND PREPAYMENTS *(CONTINUED)*

Notes:

(a) The debtors are mainly arisen from sale of properties. Consideration in respect of properties sold is paid in accordance with the terms of the related sale and purchase agreements, normally within 60 days from the agreements. For most of the property projects, consideration will be fully received prior to the delivery of the properties to the property purchasers.

(b) In January 2016, the Group entered into an agreement with certain independent third parties who own certain pieces of industrial land in Jinan, the PRC (the "Contracting Parties") pursuant to which the Group will pay not more than RMB500,000,000 (equivalent to HK$571,429,000) to the Contracting Parties to settle the debts of Contracting Parties and for the severance payments and labour compensation of the Contracting Parties such that the land can be cleared up and its use can be changed from industrial to residential purpose and put into public auction. At 31 December 2018, prepayment of land development cost of HK$571,429,000 (2017: HK$516,454,000) has been made. According to the agreement, if the Group cannot obtain the land through the public auction, the prepayment will be refunded in full and a daily interest of 0.03% on the prepaid amount will be received. Based on the progress of the project, the public auction is expected to be launched in first half of 2019.

The Group has also paid HK$14,857,000 (2017: HK$58,016,000) to certain independent third parties for the land development cost in the PRC. The amounts will be fully refunded if the land bidding is not successful and the land public auction is expected to be launched within one year.

(c) The amount represents refundable deposits paid for acquisition of property development projects in the PRC, which will be fully refunded if the Group cannot acquire the land/property projects successfully.

(d) Included in other receivables, deposits and prepayments at 31 December 2017 were interest receivables on amounts due from joint ventures of HK$298,133,000. The interest receivables on amounts due from joint ventures amounting to HK$685,324,000 at 31 December 2018 were included in amounts due from joint ventures as disclosed in note 19.

In determining the recoverability of trade debtors, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited because the customer base is large and unrelated. The Directors consider that there is no credit loss provision required at the end of the reporting period. Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 37(b)(ii).

24. FINANCIAL ASSETS AT FVTPL

	31 December 2018 HK$'000	31 December 2017 HK$'000
Foreign currency forward contracts (note (a))	133,564	5,889
Investments in unlisted entities (note (b))	514,286	–
	647,850	5,889
Analysed for reporting purposes as:		
Current assets	133,564	5,889
Non-current assets	514,286	–
	647,850	5,889

Notes:

(a) The Group has 10 (2017: 12) RMB/US$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to manage the Group's currency risk.

The above foreign currency forward contracts with gross amount of HK$133,564,000 (2017: HK$5,889,000) are covered by the International Swaps and Derivatives Association Master Agreements ("ISDA Agreements") signed with two banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. There are no other amounts related to these contracts that are not offset in the consolidated statement of financial position.

The Group is required to transact with the bank at the end of the contract period for designated notional amount under the respective contracts. If the spot rate for conversion of US$ for RMB as prevailing in the international foreign exchange market ("Spot Rate") on fixing date is (1) at or above the capped strike rate, the Group will buy US$ notional amount at the varied strike rate, which is the Spot Rate on fixing date minus the spread between the capped strike rate and the strike rate; (2) below the capped strike rate, the Group will buy the US$ notional amount at the strike rate, and; (3) below the capped strike rate and at or above the floor strike rate, the Group will buy US$ notional amount at the strike rate; (4) at or below the floor strike rate, the Group will buy US$ notional amount at the varied strike rate, which is the Spot Rate on fixing date plus the spread between the floor strike rate and the strike rate.

Number of contracts outstanding at 31 December 2018	Notional amount	Contract date	Strike rate	Floor strike rate	Capped strike rate	Fixing date (Note 1)
6	US$450,000,000	August 2016	6.640 – 6.650	N/A	7.200	August 2019
4	US$500,000,000 (Note 2)	July 2018	6.770 – 6.782	6.500	7.200	September 2021
10						

Notes:

(1) The contract maturity date is approximate to the fixing date.

(2) In July 2018, the foreign currency forward contracts with notional amount of US$500,000,000 have been restructured and certain terms including the strike rate and fixing date of the contracts have been revised.

24. FINANCIAL ASSETS AT FVTPL *(CONTINUED)*

Notes: *(Continued)*

(a) *(Continued)*

The above contracts are measured at fair value at the end of the reporting period. The derivative contracts were not effective for hedging purpose and the fair value gain amounting to HK$182,627,000 (2017: fair value loss of HK$349,528,000) is recognised in profit or loss in 2018.

(b) In May 2018, the Group has made an investment of RMB190,000,000 (equivalent to HK$217,143,000) to an unlisted entity (the "Entity A") independent of the Group engaging in co-working space in the PRC and the Group has 1.53% equity interest in the Entity A. In December 2018, the Group has acquired from another independent third party 250 million units, which represent a non-controlling interest in a unit trust(the "Entity B") with the underlying investment in tourism related property development project in Yunnan, the PRC at a cash consideration of RMB260,000,000 (equivalent to HK$297,143,000). Based on the investment agreement, the investment in the Entity A is secured by office units located in Ningbo, the PRC and the current market value of the properties approximate to RMB170,000,000 (equivalent to HK$194,286,000). The Entity A has the plan for initial public offering ("IPO") in United States and if the IPO is not successful by the end of 2020, the Group can choose to dispose the investments to the original shareholders in return of the office units and the receipt of the rental income generated by the office units from 2020 onwards. The fair value of the investments in the Entity A and the Entity B at 31 December 2018 approximate to their original cost of investments.

Details of the fair value measurement of the derivative contracts and investments are set out in note 37(c)(i).

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits of HK$128,951,000 (2017: HK$198,337,000) in total are pledged as securities in favour of banks for mortgage facilities granted to the buyers of properties developed by the Group and short-term facilities granted to the Group.

Included in bank balances and cash, bank balances amounting to HK$1,696,294,000 (2017: HK$1,421,357,000) in total were restricted to be used for the development of certain property projects. These bank balances comprised the proceeds received from pre-sale of properties of certain property projects deposited into designated bank accounts of the Group of HK$1,120,109,000 (2017: HK$625,759,000) according to the relevant requirements of the PRC local government and the cash received mainly from bank loans of HK$576,185,000 (2017: HK$795,598,000) for property development.

Bank balances carried interest at market rates which range from 0.13% to 3.7% (2017: 0.01% to 1.85%) per annum.

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

	2018 **HK$'000**	2017 HK$'000
United States dollars	**2,050,522**	1,335,646
Hong Kong dollars	**909,435**	911,037

26. SHARE CAPITAL

	2018 Number of shares	2017 Number of shares	2018 HK$'000	2017 HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**20,000,000,000**	20,000,000,000	**2,000,000**	2,000,000
7.5% convertible preference shares of HK$0.1 each	**518,380**	518,380	**52**	52
Issued and fully paid:				
Ordinary shares				
At 1 January	**748,136,566**	739,936,566	**74,814**	73,994
Issue of shares upon exercise of share options	**1,200,000**	8,200,000	**120**	820
At 31 December	**749,336,566**	748,136,566	**74,934**	74,814

The new shares issued ranked pari passu with the existing shares in all respects.

No convertible preference shares are issued in both years.

27. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 8 May 2013. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and the shares for the benefit of the Company and the shareholders as a whole.

The participants of the Scheme include any Executive or Non-executive Directors of the Group, any executives, officers, consultants or full-time employees of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company and/or any subsidiary shall not in aggregate exceed 10% (the "10% Limit") in nominal amount of the aggregate of the shares in issue on the adoption date. Options lapsed or cancelled in accordance with the terms of the Scheme and such other share option schemes of the Company and/or any subsidiary shall not be counted for the purpose of calculating the 10% Limit. The 10% Limit may be refreshed with the approval of the shareholders of the Company. The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme, together with all outstanding options granted and yet to be exercised under any other share option schemes of the Company and/or any subsidiary, must not exceed 30% of the number of issued shares from time to time.

The total number of shares issued and to be issued upon exercise of all options granted and to be granted to each participant under the Scheme and any other share option schemes of the Company and/or any subsidiary (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the number of shares in issue as at the proposed grant date unless the same is approved by the shareholders.

The option exercisable period commences on the commencement date (the date upon which the options are granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK$1 as consideration for the grant of options not later than 30 days after the grant date.

The exercise price shall be determined by the Board of Directors, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the grant date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the grant date; and (c) the nominal value of the shares.

The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 8 May 2013.

The Group has no outstanding share option at 31 December 2018. At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme were 1,200,000, representing approximately 0.16% of the Company's issued share capital.

27. SHARE OPTION SCHEME *(CONTINUED)*

The following tables disclose details of the Company's exercisable share options held by the Directors and employees and movements in such holdings during both years.

2018

Date of grant	Exercisable period	Exercise price HK$	Balance at 1.1.2018	Reclassified during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at 31.12.2018
Director							
28 May 2013	29 May 2013 to 28 May 2018	**7.13**	**100,000**	**–**	**(100,000)**	**–**	**–**
Employees							
28 May 2013	29 May 2013 to 28 May 2018	**7.13**	**1,100,000**	**–**	**(1,100,000)**	**–**	**–**
			1,200,000	**–**	**(1,200,000)**	**–**	**–**
Weighted average exercise price			**7.13**	**–**	**7.13**	**–**	**–**

2017

Date of grant	Exercisable period	Exercise price HK$	Balance at 1.1.2017	Reclassified during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance at 31.12.2017
Directors							
28 May 2013	29 May 2013 to 28 May 2018	7.13	3,150,000	–	(3,050,000)	–	100,000
Employees							
28 May 2013	29 May 2013 to 28 May 2018	7.13	7,050,000	–	(5,150,000)	(800,000)	1,100,000
			10,200,000	–	(8,200,000)	(800,000)	1,200,000
Weighted average exercise price			7.13	–	7.13	7.13	7.13

28. BANK AND OTHER BORROWINGS

	Notes	2018 HK$'000	2017 HK$'000
2016 August guaranteed senior notes	(a)	**3,565,331**	3,463,900
2016 September guaranteed senior notes	(b)	**3,931,673**	3,809,324
2016 Domestic bonds	(c)	**1,703,141**	1,769,751
Bank loans	(d)	**8,931,097**	8,248,606
Other loans	(e)	**2,513,755**	3,101,786
		20,644,997	20,393,367

The maturity of the above loans is as follows:

	2018 HK$'000	2017 HK$'000
Unsecured borrowings repayable*:		
Within one year	**4,448,446**	–
More than one year but not exceeding two years	**1,034,696**	4,576,838
More than two years but not exceeding five years	**7,406,220**	8,553,850
	12,889,362	13,130,688
Secured borrowings repayable*:		
Within one year	**4,558,678**	4,194,643
More than one year but not exceeding two years	**956,057**	1,431,548
More than two years but not exceeding five years	**571,826**	985,190
More than five years	**215,074**	271,298
	6,301,635	6,882,679
Carrying amounts of unsecured bank loans that are repayable within one year but contain a repayable on demand clause	**1,454,000**	380,000
Total borrowings	**20,644,997**	20,393,367
Less: Amounts classified as current liabilities	**(10,461,124)**	(4,574,643)
Amounts due over one year shown and classified as non-current liabilities	**10,183,873**	15,818,724

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

28. BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes:

(a) The 2016 August guaranteed senior notes with an outstanding principal amount of US$450,000,000 (2017: US$450,000,000) are listed on the Stock Exchange and were issued in August 2016. The notes, bearing interest at a fixed rate of 5% per annum, will mature in August 2019.

The Group may at any time redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time prior to 9 August 2019, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 105% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(b) The 2016 September guaranteed senior notes with an outstanding principal amount of US$500,000,000 (2017: US$500,000,000) are listed on the Stock Exchange and were issued in September 2016. The notes, bearing interest at a fixed rate of 4.7% per annum, will mature in September 2021.

The Group may at any time prior to 6 September 2019 redeem the senior notes, in whole and not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date. At any time on or after 6 September 2019, the Group may redeem the senior notes, in whole or in part, at a redemption price equal to 102.35% of the principal amount for the period beginning on 6 September 2019 to 31 December 2019 or 101.175% of the principal amount for the period from 1 January 2020 and thereafter and plus accrued and unpaid interest to the redemption date. In addition, at any time prior to 6 September 2019, the Group may redeem the senior notes using proceeds from certain equity offerings at a redemption price of 104.7% of the principal amount plus accrued and unpaid interest to the redemption date provided that at least 65% of the senior notes originally issued remain outstanding after each such redemption. The Group will be obliged to make an offer to repurchase all the senior notes then outstanding at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest to the date of repurchase upon the occurrence of a change of control and a rating decline as defined in the offering memorandum.

In the opinion of the Directors, the fair value of the early redemption option is insignificant at initial recognition and the end of the reporting period.

(c) The Group has issued 2016 Domestic bonds with an outstanding principal amount of RMB1,500,000,000 in September 2016. The bonds are listed on the Shanghai Stock Exchange, bearing interest at a fixed rate of 4.5% per annum and have a term of five years with the Group's option to adjust the coupon rate after the end of the third year of issuance and the investors' entitlement to require the Group to repurchase the bonds at the principal amount.

(d) Bank loans with carrying amount of HK$4,280,629,000 (2017: HK$3,955,821,000) bear a floating interest rate based on PBOC plus a specified margin, ranging from 4.42% to 6.65% (2017: 4.28% to 6.88%) per annum. Bank loans with carrying amount of HK$639,363,000 (2017: HK$1,375,000,000) bear interest at a fixed rate of 6% (2017: ranging from 6% to 6.3%) per annum. Interest rates on the remaining bank loans, which carry at floating interest rates based on either Hong Kong Interbank Offered Rate ("HIBOR") or London Interbank Offered Rate ("LIBOR") plus a specified margin, ranging from 3.65% to 6.6% (2017: 2.05% to 4.67%) per annum.

(e) Other loans with carrying amount of HK$2,513,755,000 (2017: HK$3,101,786,000) bear interest at a fixed rate ranging from 6.79% to 18% (2017: 6.79% to 9.8%) per annum and are borrowed from certain trust companies.

28. BANK AND OTHER BORROWINGS *(CONTINUED)*

The effective interest rate of the Group's fixed rate borrowings and variable rate borrowings ranged from 4.5% to 18% (2017: 4.5% to 9.8%) per annum and 3.65% to 6.65% (2017: 2.18% to 6.88%) per annum, respectively.

Details on the fair value disclosures of the guaranteed senior notes are set out in note 37(c)(ii).

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

	2018 **HK$'000**	2017 HK$'000
United States dollars	**9,973,282**	9,414,508
Hong Kong dollars	**1,539,822**	776,500

29. DEFERRED TAXATION

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

	Tax losses HK$'000	**Fair value adjustment on properties under development** HK$'000	**Undistributed earnings of subsidiaries and joint ventures in the PRC** HK$'000	**Change in fair value of investment properties** HK$'000	**Interest capitalised on properties under development** HK$'000	**Total** HK$'000
At 1 January 2017	(44,065)	14,097	219,563	259,960	169,782	619,337
(Credit) charge for the year	4,974	(14,226)	106,011	23,982	(28,223)	92,518
Exchange adjustments	(1,816)	129	11,775	17,678	3,555	31,321
At 31 December 2017	(40,907)	–	337,349	301,620	145,114	743,176
(Credit) charge for the year	**(82,076)**	**–**	**211,475**	**21,188**	**(56,634)**	**93,953**
Acquisition of subsidiaries	**(11,648)**	**–**	**–**	**–**	**–**	**(11,648)**
Disposal of subsidiaries	**296**	**–**	**–**	**–**	**–**	**296**
Exchange adjustments	**4,159**	**–**	**(20,019)**	**(11,972)**	**(4,806)**	**(32,638)**
At 31 December 2018	**(130,176)**	**–**	**528,805**	**310,836**	**83,674**	**793,139**

Note: Deferred tax has been provided for (i) tax losses; (ii) fair value adjustment on properties under development for sale; (iii) undistributed earnings of subsidiaries and joint ventures in the PRC; (iv) change in fair value of investment properties and (v) temporary differences between the carrying amount and the tax base of properties under development for sale, arising from the capitalisation of certain interest expenses in properties under development for sale at consolidation level.

29. DEFERRED TAXATION *(CONTINUED)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 **HK$'000**	2017 HK$'000
Deferred tax assets	**(130,176)**	(40,907)
Deferred tax liabilities	**923,315**	784,083
	793,139	743,176

At 31 December 2018, the Group has estimated unused tax losses of HK$645,434,000 (2017: HK$378,681,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$520,704,000 (2017: HK$163,628,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of HK$124,730,000 (2017: HK$215,053,000) due to the unpredictability of future taxable profit streams. Included in unrecognised tax losses are losses of HK$97,073,000 (2017: HK$183,720,000) that will expire within five years from the end of the reporting period and the remaining tax losses will be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$2,848,869,000 (2017: HK$3,071,429,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. CREDITORS AND ACCRUED CHARGES

	2018 HK$'000	2017 HK$'000
Aged analysis of creditors presented based on invoice date:		
Trade payables		
Within 60 days	**481,553**	237,027
61 to 90 days	**15,328**	11,366
More than 90 days	**854,397**	685,625
	1,351,278	934,018
Bills payables		
Within 60 days	**12,641**	89,579
61 to 90 days	**21,767**	15,476
More than 90 days	**5,201**	27,381
	39,609	132,436
Accrued construction costs	**5,467,177**	5,187,082
	6,858,064	6,253,536
Accrued taxes (other than EIT and LAT)	**965,047**	385,347
Consideration payable from acquisition of subsidiaries and joint ventures	**342,608**	356,884
Dividend payable to non-controlling interest of a subsidiary	**200,000**	–
Other payables	**1,459,212**	1,366,479
	9,824,931	8,362,246

31. AMOUNTS DUE TO JOINT VENTURES AND AN ASSOCIATE

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

32. CONTRACT LIABILITIES

	31 December 2018 HK$'000	1 January 2018* HK$'000
Sale of properties	**16,288,131**	15,803,227

* The amount is after the adjustment from the application of HKFRS 15

The contract liabilities of the Group are all expected to be settled within the Group's normal operating cycle and thus are classified as current liabilities.

The revenue recognised in the current year that was included in the contract liability balance at 1 January 2018 was HK$13,785,959,000. No revenue is recognised in the current year which was related to the performance obligations satisfied in prior period.

Typical payment terms in respect of sale of properties, which impact on the amount of contract liabilities recognised are as follows:

The Group receives 30% to 100% of the contract value from customers when they sign the sale and purchase agreements while construction work of properties is still ongoing. For the customers who applied mortgage loans provided by the banks, the remaining consideration will be paid to the Group from the banks once the mortgage loan application has been completed and release of fund has been approved. Such advance payment schemes result in contract liabilities being recognised through the property construction period until the customer obtains control of the completed property.

33. PERPETUAL CAPITAL SECURITIES

	2018 HK$'000	2017 HK$'000
2017 February perpetual capital securities (note)	**2,349,221**	2,349,619
2017 June perpetual capital securities (note)	**2,283,417**	2,283,477
	4,632,638	4,633,096

Note:

In February 2017 and June 2017, two wholly-owned subsidiaries of the Company issued US$300 million 7.95% senior guaranteed perpetual capital securities ("2017 February perpetual capital securities") and US$300 million 7% senior guaranteed perpetual capital securities ("2017 June perpetual capital securities") respectively at issue price of 100% of the principal amounts. Both capital securities were then listed on the Singapore Stock Exchange Securities Trading Limited ("Singapore Exchange") and guaranteed by the Company for the due payment. Distributions are paid semi-annually in arrears and can be deferred at the discretion of the issuers. The perpetual capital securities have no fixed maturity and are redeemable at the issuers' option at their principal amounts together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company cannot declare or, pay dividends or make distributions or similar periodic payments in respect of, or repurchase, redeem or otherwise acquire any securities of lower or equal rank, which includes the ordinary shares of the Company. Additional information for the capital securities is as follows:

List of perpetual capital securities	Listing date	First call date*
2017 February perpetual capital securities	20 February 2017	17 February 2022
2017 June perpetual capital securities	27 June 2017	23 June 2022

* The issuer may redeem the perpetual capital securities on or after the first call date.

34. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks except certain restricted bank balances. Cash and cash equivalents at the end of the year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2018 HK$'000	2017 HK$'000
Bank balances and cash	**11,793,235**	8,552,217
Less: restricted bank balances – proceeds from pre-sale of properties (note 25)	**(1,120,109)**	(625,759)
	10,673,126	7,926,458

35. RETIREMENT BENEFIT PLANS

For the operations in Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including Directors in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percent to the MPF Scheme based on their monthly salary in accordance with government regulations. The MPF Scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme. Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There were no forfeited contributions available to reduce future contributions at the end of the reporting period.

For the operations in the PRC, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

36. 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 debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which include bank and other borrowings disclosed in note 28, and equity comprising issued capital and reserves, perpetual capital securities and non-controlling interests of subsidiaries.

The management of the Group reviews the capital structure periodically. As part of this review, the management of the Group assesses the annual budget which incorporates the planned construction projects and takes into account of the provision of funding. Based on the proposed annual budget, the management of the Group considers the cost of capital and the risks associated with the capital. The management of the Group also balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

The management of the Group monitors the utilisation of bank and other borrowings and ensures full compliance with loan covenants during the year and at the end of the reporting period.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	–	27,752,134
Financial assets at amortised cost	**30,166,967**	–
Financial assets at FVTPL	**647,850**	5,889
Financial liabilities		
Financial liabilities at amortised cost	**31,717,278**	29,535,024

(b) Financial risk management objectives and policies

The management of the Group has 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, and 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 disciplined and constructive control environment in which all employees understand their roles and obligations.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures these risks.

(i) Market risk

The Group's activities expose primarily to the financial risks of changes in foreign exchange rate and interest rates.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(i) Market risk *(Continued)*

Foreign currency risk management

Certain transactions of the Group are denominated in foreign currencies which are different from the functional currency of the respective group entities and therefore the Group is exposed to foreign currency risk. The Group entered into a number of structured foreign currency forward contracts with banks to manage the Group's currency risk and the details were set out in note 24. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollars	**2,176,129**	1,414,640	**9,973,282**	9,542,859
Hong Kong dollars	**849,484**	945,393	**1,267,124**	457,322

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the Renminbi against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where Renminbi strengthens against the relevant currencies. For a 5% weakening of Renminbi against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Profit or loss	
	2018	2017
	HK$'000	HK$'000
United States dollars	**389,858**	406,411
Hong Kong dollars	**20,882**	(24,404)

Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of HIBOR, LIBOR and PBOC prescribed interest rate on pledged bank deposits and bank and other borrowings.

The Group's fair value interest rate risk relates primarily to amounts due from joint ventures, bank and other borrowings, and loan receivables which carry interest at fixed interest rates. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(i) Market risk *(Continued)*

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by HK$12,023,000 (2017: HK$9,965,000) after capitalisation of additional finance costs of HK$29,436,000 (2017: HK$24,402,000) in properties under development for sale.

The management considers the exposure to interest rate risk in relation to pledged bank deposits is insignificant due to the insignificant balance at the end of the reporting period. Accordingly, no sensitivity analysis on the change in interest rate is presented for pledged bank deposits.

(ii) Credit risk and impairment management

The Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the amount of financial guarantees provided by the Group and the amount of each class of financial assets as disclosed in the consolidated statements of financial position. Other than the collateral to cover the credit risks of the loan receivables as detailed in note 20, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on financial assets at amortised cost individually or collectively, where appropriate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The management of the Group considers that the credit risk on liquid funds is low as counterparties are banks which do not have liquidity problem.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(ii) Credit risk and impairment management *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

2018	Note	External credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000
Financial assets at amortised costs				
Amounts due from joint ventures	19	N/A	12m ECL	**13,894,170**
Loan receivables	20	N/A	12m ECL	**2,357,316**
Other debtors	23	N/A	12m ECL	**1,889,188**
Trade debtors	23	N/A	Lifetime ECL	**104,107**
Pledged bank deposits	25	Ranged from AA+ to BBB-	12m ECL	**128,951**
Bank balances	25	Ranged from AA+ to BBB-	12m ECL	**11,791,039**
Financial guarantee contracts	43	N/A	12m ECL	**15,780,914**

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(ii) Credit risk and impairment management *(Continued)*

The credit risk of amounts due from joint ventures, loan receivables and other debtors is managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. The Group reviews the recoverable amount of these receivables at the end of each reporting period.

The Group has concentration of credit risks in amounts due from joint ventures as 35% (2017: 27%) of the amounts are due from the Group's three largest property joint ventures and 82% (2017: 76%) of the loan receivables was due from the three largest borrowers. The Group's concentration of credit risks is in the PRC. Apart from amounts due from joint ventures and loan receivables as mentioned in notes 19 and 20, respectively, the Group does not have significant credit risk exposure at 31 December 2018 and 2017.

For the amounts due from joint ventures as disclosed in note 19, which are mainly engage in toll road operation and property development in the PRC, the management of the Group closely monitors the financial position and repayment status of the joint ventures, and considers that the credit risk exposure is satisfactory. The recoverability of the amounts due from joint ventures is based on the Group's proportionate share of the budgeted net cash inflows of the underlying projects which exceeds the carrying value of the amounts due from joint ventures.

For loan receivables as disclosed in note 20, the Group would generally require the borrowers to provide collaterals for the loans with material balance i.e. the properties owned by the borrowers or equity interests in the property companies. The Group has designated a team to monitor the repayment status of the loan receivables and whether the value of the collaterals has been deteriorated such that additional credit enhancements should be required from the borrowers. The contractual maturity date of the loan receivables may be extended due to the development progress of the underlying property projects.

For trade debtors, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The trade debtors balance of the Group at 31 December 2018 are not significant to the Group.

The Group's credit risk on pledged bank deposits and balances is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

No impairment allowance was made on trade debtors and other financial assets at the end of both years.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(ii) Credit risk and impairment management *(Continued)*

For the financial guarantee contracts provided by the Group to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties, the Group measured the loss allowance on financial guarantee contracts by reference to the historical default rate of the purchasers, the loss on default based on the current property value and the pre-sale deposits already received and the forward looking information. The Directors considered that the loss allowances on financial guarantee contracts at 1 January 2018 and 31 December 2018 were insignificant to the Group. Before application of HKFRS 9 on 1 January 2018, for properties which have been pre-sold, or for the completed properties that sold but the building ownership certificate not yet issued, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

(iii) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the management of the Group who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate working capital and available banking facilities and continuously monitors the forecast and actual cash flows.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

	Weighted average effective interest rate	On demand or less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2018								
Creditors and accrued charges	–	**9,824,931**	–	–	–	–	**9,824,931**	**9,824,931**
Amounts due to joint ventures and an associate	–	**1,247,350**	–	–	–	–	**1,247,350**	**1,247,350**
Bank and other borrowings								
– fixed rate	**5.56**	**340,515**	**5,494,338**	**1,563,912**	**6,169,054**	–	**13,567,819**	**12,353,263**
– variable rate	**5.60**	**3,373,570**	**2,161,139**	**1,012,970**	**2,195,229**	**241,106**	**8,984,014**	**8,291,734**
Financial guarantee contracts	–	**15,780,914**	–	–	–	–	**15,780,914**	–
		30,567,280	**7,655,477**	**2,576,882**	**8,364,283**	**241,106**	**49,405,028**	**31,717,278**
2017								
Creditors and accrued charges	–	8,362,246	–	–	–	–	8,362,246	8,362,246
Amounts due to joint ventures and an associate	–	779,411	–	–	–	–	779,411	779,411
Bank and other borrowings								
– fixed rate	5.45	349,759	2,037,532	5,845,327	7,365,954	–	15,598,572	13,519,761
– variable rate	4.83	371,609	2,808,655	1,072,663	3,301,006	313,360	7,867,293	6,873,606
Financial guarantee contracts	–	13,239,150	–	–	–	–	13,239,150	–
		23,102,175	4,846,187	6,917,990	10,666,960	313,360	45,846,672	29,535,024

Bank loan with a repayment on demand clause is included in the "on demand or less than 6 months" time band in the above maturity analysis. The table below summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include principal and interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors did not believe that it is probable that the banks would exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 6 months	6 – 12 months	1 – 2 years	Total undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018	**1,487,233**	**–**	**–**	**1,487,233**	**1,454,000**
At 31 December 2017	5,680	385,712	–	391,392	380,000

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

(iii) Liquidity risk management *(Continued)*

Liquidity and interest risk tables *(Continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value of financial instruments

Fair value measurements

(i) Financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2018

	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL			
Foreign currency forward contracts	133,564	–	133,564
Investments in unlisted entities	–	514,286	514,286
	133,564	514,286	647,850

Fair value hierarchy as at 31 December 2017

	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets			
Foreign currency forward contracts	5,889	–	5,889

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value of financial instruments *(Continued)*

Fair value measurements *(Continued)*

(i) Financial assets and financial liabilities measured at fair value on a recurring basis *(Continued)*

The foreign currency forward contracts are grouped into Level 2 fair value measurement and the fair value is determined based on valuation provided by the counterparty financial institutions, which is measured using discounted cash flow analysis based on, inter alia, the contracted exchange rate and the forward exchange rate. The derivative contracts require net settlement on a contract by contract basis.

In respect of the investments in unlisted entities, they comprise 1.53% of equity interest in an unlisted entity engaging in co-working space in the PRC which is grouped into Level 3 fair value measurement and the fair value is determined by reference to the latest transaction price of the shares issued by the unlisted entity to the investors in the latest private placement near 31 December 2018.

The investments in unlisted entities also comprise the investment in a trust with the underlying investments in tourism related property development project in Yunnan, the PRC. It is grouped under Level 3 fair value measurement and in the opinion of the Directors, as the date of investment is very near the year end date, the fair value of the investment at 31 December 2018 is approximate to the cost of investment.

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

(ii) Financial assets and financial liabilities not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values as at 31 December 2018 and 2017, which are determined in accordance with generally accepted pricing models based on discounted cash flow, except for the following financial liabilities, for which their carrying amounts and fair values (based on the quoted ask price) are disclosed below:

	31 December 2018		31 December 2017	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
2016 August guaranteed senior notes	**3,565,331**	**3,503,682**	3,463,900	3,528,658
2016 September guaranteed senior notes	**3,931,673**	**3,662,880**	3,809,324	3,835,540
2016 Domestic bonds	**1,703,141**	**1,730,690**	1,769,751	1,745,882

38. 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 the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Balance at 1.1.2018 HK$'000	Dividend distribution declared HK$'000	Financing cash flows HK$'000 (note)	Financing cost incurred during the year HK$'000	Acquisition of subsidiaries HK$'000	Disposal of a joint venture HK$'000	Reallocation of account HK$'000	Exchange adjustment HK$'000	Balance at 31.12.2018 HK$'000
Interest payable*	170,625	–	(1,383,811)	1,663,754	–	–	(151,102)	(299,466)	–
Bank and other borrowings (note 28)	20,393,367	–	(875,277)	95,807	1,211,429	–	151,102	(331,431)	20,644,997
Amounts due to joint ventures and an associate (note 31)	779,411	–	1,047,881	–	(494,481)	(56,413)	–	(29,048)	1,247,350
Dividend distribution payable (note 13)	–	809,283	(809,283)	–	–	–	–	–	–
	21,343,403	809,283	(2,020,490)	1,759,561	716,948	(56,413)	–	(659,945)	21,892,347

	Balance at 1.1.2017 HK$'000	Dividend distribution declared HK$'000	Financing cash flows HK$'000 (note)	Financing cost incurred during the year HK$'000	Exchange adjustment HK$'000	Balance at 31.12.2017 HK$'000
Interest payable*	174,385	–	(1,195,138)	1,142,679	48,699	170,625
Bank and other borrowings (note 28)	17,576,974	–	2,464,898	116,160	235,335	20,393,367
Loans from non-controlling interests of subsidiaries	282,016	–	(294,774)	4,321	8,437	–
Amounts due to joint ventures and an associate (note 31)	717,659	–	29,286	–	32,466	779,411
Dividend distribution payable (note 13)	–	521,928	(521,928)	–	–	–
	18,751,034	521,928	482,344	1,263,160	324,937	21,343,403

Note: The cash flows from interest payable, bank and other borrowings, amounts due to joint ventures and an associate and dividend distribution payable make up the net amount of additions and repayment from those related liabilities in the consolidated statement of cash flows.

* As at 31 December 2017, interest payable is included in other payables in note 30.

39. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

In August 2018, the Group entered into a sale and purchase agreement to acquire the remaining 41.18% equity interest in 蘇州雋達房地產有限公司 ("蘇州雋達") from the PRC joint venture partner at a cash consideration of RMB35,000,000 (equivalent to HK$40,000,000). 蘇州雋達 was a joint venture of the Group engaging in the property development in Suzhou, the PRC. Upon completion of the acquisition, 蘇州雋達 becomes the wholly-owned subsidiary of the Company. The transaction was accounted for as acquisition of assets.

In November 2018, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest in 天津雋投企業管理有限公司 ("天津雋投") from the PRC joint venture partner at a cash consideration of RMB25,000,000 (equivalent to HK$28,571,000). 天津雋投 was a joint venture of the Group engaging in the property development in Tianjin, the PRC. Upon completion of the acquisition, 天津雋投 becomes the wholly-owned subsidiary of the Company. The transaction was accounted for as acquisition of assets.

The aggregate net assets of the acquired subsidiaries at the dates of acquisitions were as follows:

	2018 HK$'000
Property, plant and equipment	149
Deferred tax assets	11,648
Inventory of properties	4,731,458
Debtors, deposits and prepayments	105,070
Amounts due from the Group	494,481
Prepaid income tax	72,756
Bank balances and cash	530,097
Creditors and accrued charges	(280,941)
Amounts due to the Group	(2,306,338)
Contract liabilities	(1,992,674)
Bank and other borrowings	(1,211,429)
	154,277
Satisfied by:	
Cash considerations paid	68,571
Fair value of interests in joint venture disposed of	85,706
Total considerations	154,277
Net cash inflow arising on acquisitions:	
Cash consideration paid	(68,571)
Bank balances and cash acquired	530,097
	461,526

39. ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

For the year ended 31 December 2017

In July 2017, the Group entered into sale and purchase agreement with four individuals to acquire the entire equity interest in 常州皇冠置業發展有限公司 ("常州皇冠置業"), which owns a piece of land for property development for sale in Changzhou, the PRC, at a cash consideration of RMB217,536,000 (equivalent to HK$258,971,000). The consideration was fully paid in 2017 and control over 常州皇冠置業 has been obtained by the Group. The transaction was accounted for as acquisition of assets.

In November 2017, the Group entered into a share transfer agreement with an independent party to acquire 80% equity interests in 武漢鑫嘉藝置業有限公司 ("武漢鑫嘉藝") through the injection of shareholder loans of RMB100,000,000 (equivalent to HK$119,048,000) to 武漢鑫嘉藝, which owns a property development project in Wuhan, the PRC. The amount was fully injected by the Group in 2017 and the transaction was accounted for as acquisition of assets.

The aggregate net assets of the acquired subsidiaries at the dates of acquisitions were as follows:

	2017 HK$'000
Property, plant and equipment	774
Inventory of properties	459,326
Debtors, deposits and prepayments	63,880
Bank balances and cash	17,984
Creditors and accrued charges	(274,808)
Deposits from pre-sale of properties	(8,185)
	258,971
Satisfied by:	
Cash consideration paid	258,971
Net cash outflow arising on acquisitions:	
Cash consideration paid	(258,971)
Bank balances and cash acquired	17,984
	(240,987)

40. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2018

In February 2018, the Group entered into sale and purchase agreements to dispose of its 40% equity interest in 溧陽宏景房地產開發有限公司 ("溧陽宏景"), a wholly-owned subsidiary of the Company to an independent party (the "JV Partner"), at a total cash consideration of RMB312,818,000 (equivalent to HK$371,518,000) in which, HK$142,518,000 is for the acquisition of equity and HK$229,000,000 is for the acquisition of shareholder's loan. The subsidiary is engaging in property development business in Changzhou, the PRC. After the disposal, 溧陽宏景 is accounted for a joint venture of the Group as all the board resolutions require the unanimous consent by the joint venture partners. The gain on disposal of the subsidiary amounting to HK$556,000 was recognised in profit or loss.

In 2018, the Group entered into a sale and purchase agreement to dispose of its 51% equity interest in 常州宏耀房地產開發有限公司 ("常州宏耀"), a wholly-owned subsidiary of the Company to an independent party, at a cash consideration of RMB190,000,000 (equivalent to HK$225,653,000). The subsidiary is engaging in property development business in Changzhou, the PRC. After the disposal, 常州宏耀 is accounted for a joint venture of the Group as all the board resolutions require the unanimous consent by the joint venture partners. The loss on disposal of the subsidiary amounting to HK$895,000 was recognised in profit or loss.

The aggregate net assets of the disposed subsidiaries at the dates of disposal were as follows:

	2018 HK$'000
Property, plant and equipment	389
Deferred tax assets	296
Inventory of properties	1,270,212
Debtors, deposits and prepayments	9,144
Prepaid income tax	123
Bank balances and cash	215,028
Creditors and accrued charges	(53,481)
Contract liabilities	(74,065)
Amounts due to the Group	(568,682)
	798,964
Net losses on disposal of subsidiaries:	
Total cash considerations	597,171
Less: Shareholder's loan assumed by the JV Partner	(229,000)
Add: Fair value of retained interests in joint ventures (note)	430,454
Less: Net assets of subsidiaries disposed of	(798,964)
	(339)
Net cash inflow arising on disposal:	
Cash consideration received	597,171
Bank balances and cash disposed of	(215,028)
	382,143

Note: The fair value is determined by reference to the considerations for disposal of the equity interests of subsidiaries to the independent third parties.

40. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

For the year ended 31 December 2017

In 2017, the Group entered into sale and purchase agreements to dispose of its 100% equity interest in 成都市勁川御城房地產有限公司 to an independent party, at a cash consideration of RMB23,784,000 (equivalent to HK$28,314,000). The subsidiary is engaging in property development business in Chengdu, the PRC. The consideration was fully received by the Group in 2017 and the gain on disposal of the subsidiary amounting to HK$27,338,000 was recognised in profit or loss.

In April 2017, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in 山東御邸房地產開發有限公司 to an independent party, at a cash consideration of RMB35,572,000 (equivalent to HK$42,348,000). The subsidiary is engaging in property development business in Shandong, the PRC. The consideration was fully received in 2017 and the gain on disposal of the subsidiary amounting to HK$29,393,000 was recognised in profit or loss.

The aggregate net assets of the disposed subsidiaries at the dates of disposal were as follows:

	2017 HK$'000
Property, plant and equipment	7,588
Inventory of properties	256,169
Debtors, deposits and prepayments	7,067
Bank balances and cash	15,352
Creditors and accrued charges	(6,581)
Amounts due to the Group	(265,664)
	13,931
Net gain on disposal of subsidiaries:	
Total cash considerations	70,662
Less: Net assets of subsidiaries disposed of	(13,931)
	56,731
Net cash inflow arising on disposal:	
Cash consideration received	70,662
Bank balances and cash disposed of	(15,352)
	55,310

41. OPERATING LEASE COMMITMENTS

As lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2018 HK$'000	2017 HK$'000
Within one year	**90,377**	91,739
In the second to fifth year inclusive	**223,048**	223,717
Over five years	**340,515**	404,478
	653,940	719,934

Operating lease payments represent rentals receivable by the Group from leasing of its properties. Typically, leases are negotiated and rentals are fixed for the lease periods. Contingent rental for certain investment properties was charged to tenants and was calculated with reference to the turnover earned by the tenants upon they exceed the pre-determined monthly rental. The contingent rental income recognised during the year ended 31 December 2018 amounted to HK$13,642,000 (2017: HK$14,282,000).

As lessee

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

	2018 HK$'000	2017 HK$'000
Within one year	**22,403**	14,872
In the second to fifth year inclusive	**40,213**	20,071
Over five years	**2,482**	–
	65,098	34,943

The commitments represent rentals payable by the Group for its offices with the lease periods ranging from one to six years.

Monthly rental was fixed and recognised over the terms of the leases.

42. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital injection into property joint ventures contracted for but not provided in the consolidated financial statements	**21,714**	407,256

43. CONTINGENT LIABILITIES

At 31 December 2018, the Group provided guarantees of HK$8,616,016,000 (2017: HK$7,918,683,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant.

At 31 December 2018, the Group provided guarantees of HK$4,449,278,000 (2017: HK$2,611,467,000) to banks in connection with the banking facilities granted to joint ventures. The Directors consider that the fair value of such guarantees on initial recognition was insignificant as the joint ventures have strong net asset position and the default risk is low.

The details of undertakings of a property joint venture provided by the Group are disclosed in note 18(b).

44. PLEDGE OF ASSETS

At the end of the reporting period, other than the pledged bank deposits as disclosed in note 25, the Group's inventory of properties of HK$3,435,850,000 (2017: HK$4,988,777,000) and investment properties of HK$473,246,000 (2017: HK$526,060,000) were pledged to banks to secure the banking facilities granted to the Group.

45. RELATED PARTY TRANSACTIONS

Other than set out in notes 19, 23(d), 30, 31 and 43, the Group had transactions with the following related parties during the year:

Related parties	**Nature**	**2018** **HK$'000**	2017 HK$'000
Infrastructure joint ventures	Interest income	**3,346**	5,665
Property and other joint ventures	Interest income	**652,309**	309,619
Non-controlling interests of subsidiaries	Interest income	**50,942**	10,388
Non-controlling interests of subsidiaries	Interest expenses	**–**	4,321
A subsidiary of a major shareholder of the Company	Construction costs incurred	**513,650**	97,848
A subsidiary of a major shareholder of the Company	Construction costs payable	**221,940**	31,360

45. RELATED PARTY TRANSACTIONS *(CONTINUED)*

During the year ended 31 December 2018, a subsidiary of a major shareholder of the Company provided construction services to the property projects of a subsidiary and a joint venture of the Group amounting to HK$543,067,000 (2017: HK$97,848,000) in aggregate. The construction services provided by the subsidiary of the major shareholder of the Company constituted continuing connected transactions as defined under the Listing Rules.

During the year ended 31 December 2018, the Group has transferred the title of one piece of land included in prepayment for land lease of the Group at its carrying amount of HK$662,857,000 (2017:HK$810,381,000) to a joint venture of the Group and no gain or loss is resulted from such transfer. The said amount will be settled by the joint venture after the pre-sale of properties commences.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term employment benefits	**371,553**	205,048
Post-employment benefits	**6,240**	6,179
	377,793	211,227

The remuneration of Directors and key executives is determined with reference to the performance of individuals and market trends.

46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current asset		
Unlisted investments in subsidiaries	**15,724,394**	15,348,447
Current assets		
Deposits and prepayments	**315**	31,023
Bank balances and cash	**534,379**	1,558,947
	534,694	1,589,970
Total assets	**16,259,088**	16,938,417
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (note 26)	**74,934**	74,814
Reserves (note)	**7,678,323**	6,341,567
	7,753,257	6,416,381
Current liabilities		
Bank borrowings	**1,074,000**	–
Creditors and accrued charges	**5,343**	3,646
Amounts due to subsidiaries	**7,426,488**	10,518,390
	8,505,831	10,522,036
Total equity and liabilities	**16,259,088**	16,938,417

46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

	Share premium HK$'000	Foreign currency translation reserve HK$'000	Special reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2017	3,152,986	681,151	1,260,000	6,214	731,234	5,831,585
Profit for the year	–	–	–	–	693,523	693,523
Exchange difference arising on translation to presentation currency	–	280,742	–	–	–	280,742
Total comprehensive income for the year	–	280,742	–	–	693,523	974,265
Sub-total	3,152,986	961,893	1,260,000	6,214	1,424,757	6,805,850
Issue of ordinary shares upon exercise of share option	62,641	–	–	(4,996)	–	57,645
Cancellation/lapse of share options	–	–	–	(487)	487	–
Dividends	–	–	–	–	(521,928)	(521,928)
Balance at 31 December 2017	3,215,627	961,893	1,260,000	731	903,316	6,341,567
Profit for the year	**–**	**–**	**–**	**–**	**2,420,018**	**2,420,018**
Exchange difference arising on translation to presentation currency	**–**	**(282,415)**	**–**	**–**	**–**	**(282,415)**
Total comprehensive income for the year	**–**	**(282,415)**	**–**	**–**	**2,420,018**	**2,137,603**
Sub-total	**3,215,627**	**679,478**	**1,260,000**	**731**	**3,323,334**	**8,479,170**
Issue of ordinary shares upon exercise of share option	**9,167**	**–**	**–**	**(731)**	**–**	**8,436**
Dividends	**–**	**–**	**–**	**–**	**(809,283)**	**(809,283)**
Balance at 31 December 2018	**3,224,794**	**679,478**	**1,260,000**	**–**	**2,514,051**	**7,678,323**

47. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2018 and 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Incorporated in the British Virgin Islands ("BVI")/Hong Kong/Bermuda						
Intersafe Investments Limited	BVI	Hong Kong	US$16,000,000	–	75	Investment holding
Ontex Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Power Truth Development Limited	Hong Kong	Hong Kong	HK$1	–	100	Development and sale of properties
RKE International Holdings Limited	Bermuda	#	HK$66,666,667	–	75	Investment holding
RK Investment and Asset Management Group Limited	Hong Kong	Hong Kong	HK$1	–	100	Investment holding
RKI Overseas Finance 2016 (A) Limited	BVI	#	US$1	100	–	Provision of financial services
RKI Overseas Finance 2016 (B) Limited	BVI	#	US$1	100	–	Provision of financial services
RKI Overseas Finance 2017 (A) Limited	BVI	#	US$1	100	–	Provision of financial services
RK Properties Holdings Limited	BVI	Hong Kong	US$1	–	100	Investment holding
RK Properties Management Limited	Hong Kong	Hong Kong	HK$1	–	100	Provision of management services
RK Properties (Overseas) Limited	BVI	#	US$1	–	100	Investment holding
RKP Overseas Finance 2016 (A) Limited	BVI	#	US$1	100	–	Provision of financial services
RKP Overseas Finance 2017 (A) Limited	BVI	#	US$1	–	100	Provision of financial services
RKPF Overseas 2019 (A) Limited@	BVI	#	US$1	–	100	Provision of financial Services
RKPF Overseas 2019 (B) Limited	BVI	#	US$1	–	100	Provision of financial services

47. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
Road Base Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Bond Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Crown Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Express Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Famous Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Glorious Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Grand Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road King (China) Infrastructure Limited	BVI	Hong Kong	HK$2,000,000,000	–	75	Investment holding
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK$2	–	100	Provision of management services
Road Link Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Road Rise Investments Limited	BVI	Hong Kong	US$1	–	75	Investment holding
Sunco Property Holdings Company Limited	BVI	Hong Kong	US$250	–	94.74	Investment holding
Registered as wholly foreign owned enterprises in the PRC						
Changzhou Great Gallop Properties Developments Ltd.	PRC	PRC	US$153,245,300	–	100	Development and sale of properties
Changzhou Great Superior Properties Developments Ltd.	PRC	PRC	RMB612,220,000	–	100	Development and sale of properties
Tianjin Kingsvalue Real Estate Investment Management Limited	PRC	PRC	RMB678,500,000	–	94.74	Investment holding
Tianjin Sunco Binhai Land Co., Ltd.	PRC	PRC	RMB600,000,000	–	94.74	Investment holding
Tianjin Sunco Binhai Real Estate Investment Management Limited	PRC	PRC	RMB760,000,000	–	94.74	Investment holding
無錫路勁蠡苑房地產有限公司	PRC	PRC	RMB1,146,000,000	–	100	Development and sale of properties
常州路勁宏遠房地產開發有限公司	PRC	PRC	US$50,000,000	–	100	Development and sale of properties
常州路勁宏承房地產開發有限公司	PRC	PRC	US$50,000,000	–	100	Development and sale of properties
常州路勁宏潤房地產開發有限公司	PRC	PRC	US$30,000,000	–	100	Development and sale of properties

47. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
Registered as sino-foreign equity joint venture enterprises in the PRC						
常州宏智房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
蘇州雋御地產有限公司	PRC	PRC	RMB1,008,600,000	–	100	Development and sale of properties
Registered as limited liability companies in the PRC						
上海雋安置業有限公司	PRC	PRC	RMB950,000,000	–	75	Development and sale of properties
天津順馳新地置業有限公司	PRC	PRC	RMB700,000,000	–	94.74	Development and sale of properties
北京路勁雋御房地產開發有限公司	PRC	PRC	RMB4,385,300,000	–	100	Development and sale of properties
大廠回族自治縣中基首業房地產開發有限公司	PRC	PRC	RMB320,000,000	–	100	Development and sale of properties
洛陽路勁房地產開發有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
洛陽路勁宏駿房地產開發有限公司	PRC	PRC	RMB30,000,000	–	100	Development and sale of properties
常州路勁房地產開發有限公司	PRC	PRC	RMB860,000,000	–	100	Development and sale of properties
鎮江路勁大港房地產開發有限公司	PRC	PRC	RMB550,470,000	–	100	Development and sale of properties
鎮江路勁房地產開發有限公司	PRC	PRC	RMB185,000,000	–	100	Development and sale of properties
濟南路勁雋成房地產開發有限公司	PRC	PRC	RMB150,000,000	–	100	Development and sale of properties
蘇州雋宏房地產開發有限公司	PRC	PRC	RMB50,000,000	–	100	Development and sale of properties

47. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/paid registered capital	Proportion of amount paid/ nominal value of issued ordinary share capital/registered capital held by the Company Directly %	Indirectly %	Principal activities
蘇州雋澄房地產有限公司	PRC	PRC	RMB50,000,000	–	100	Development and sale of properties
天津雋德房地產有限公司	PRC	PRC	RMB100,000,000	–	100	Development and sale of properties
寧波甬鴻置業有限公司	PRC	PRC	RMB710,000,000	–	100	Development and sale of properties

The subsidiaries of the Company are either investment holding or provision of financial services companies only and do not have any operations.

@ Incorporated in 2018

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest:

Name of subsidiary	Place of incorporation/ registration	Proportion of ownership interests and voting rights held by non-controlling interest		Profit allocated to non-controlling interest		Accumulated non-controlling interest	
		2018	2017	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
RKE	Bermuda	**25%**	–	**25,386**	–	**1,254,098**	–

47. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest: *(Continued)*

At 31 December 2018

	2018 **HK$'000**	2017 HK$'000
Current assets	**2,137,032**	1,059,917
Non-current assets	**3,137,065**	3,393,989
Current liabilities	**225,518**	25,521
Non-current liabilities	**32,186**	28,378
Total equity	**5,016,393**	4,400,007
Non-controlling interest of RKE	**1,254,098**	–

47. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest: *(Continued)*

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Income	**718,869**	595,641
Expenses	**(129,083)**	(143,586)
Profit for the year	**589,786**	452,055
Profit attributable to owners of the Company	**564,400**	452,055
Profit attributable to non-controlling interest of RKE	**25,386**	–
Profit for the year	**589,786**	452,055
Other comprehensive (loss) income attributable to owners of the Company	**(199,306)**	186,666
Other comprehensive loss attributable to non-controlling interest of RKE	**(527)**	–
Other comprehensive (loss) income for the year	**(199,833)**	186,666
Total comprehensive income attributable to owners of the Company	**365,094**	638,721
Total comprehensive income attributable to non-controlling interest of RKE	**24,859**	–
Total comprehensive income for the year	**389,953**	638,721

47. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest: *(Continued)*

For the year ended 31 December 2018

	2018 **HK$'000**	2017 HK$'000
Dividends paid or payable to non-controlling interest of RKE	**(266,667)**	–
Net cash outflow from operating activities	**(106,012)**	(107,846)
Net cash inflow from investing activities	**838,665**	702,422
Net cash inflow from financing activities	**426,433**	–
Net cash inflow	**1,159,086**	594,576

None of the subsidiaries had any debt securities at the end of the year except for the following:

	2018 **HK$'000**	2017 HK$'000
RKI Overseas Finance 2016 (A) Limited	**3,565,331**	3,463,900
RKI Overseas Finance 2016 (B) Limited	**3,931,673**	3,809,324
北京路勁雋御房地產開發有限公司	**1,703,141**	1,769,751
	9,200,145	9,042,975

48. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 18 January 2019, RKPF Overseas 2019 (B) Limited, a wholly-owned subsidiary of the Company issued fixed rate guaranteed senior notes with aggregate nominal value of US$400,000,000, which carry an annual interest rate of 7.75% per annum and mature in 2021. The proceeds are to be used for the refinancing of existing indebtedness and for general corporate purposes.

(b) On 23 January 2019, RKI Overseas Finance 2016 (A) Limited, a wholly-owned subsidiary of the Company repurchased US$224,743,000 in principal amount of 2016 August guaranteed senior notes pursuant to a tender offer. Immediately following the closing of that tender offer, US$225,257,000 of the principal amount of the 2016 August guaranteed senior notes remains outstanding.

(c) On 1 February 2019, RKPF Overseas 2019 (A) Limited, a wholly-owned subsidiary of the Company issued fixed rate guaranteed senior notes with aggregate nominal value of US$400,000,000, which carry an annual interest rate of 7.875% per annum and mature in 2023. The proceeds are to be used for the refinancing of existing indebtedness and for general corporate purposes.

49. TOTAL ASSETS LESS CURRENT LIABILITIES/NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2018 amounted to HK$35,874,630,000 (2017: HK$38,217,233,000). The Group's net current assets at 31 December 2018 amounted to HK$11,289,778,000 (2017: HK$18,725,649,000).

Financial Summary

RESULTS

	For the year ended 31 December				
	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Revenue	**22,365,223**	14,755,770	16,841,585	12,509,646	12,730,104
Profit before taxation	**9,497,056**	5,441,388	3,245,292	1,982,523	2,500,655
Income tax expenses	**(5,798,453)**	(2,965,394)	(1,871,696)	(1,154,213)	(1,471,272)
Profit for the year	**3,698,603**	2,475,994	1,373,596	828,310	1,029,383
Attributable to:					
Owners of the Company	**2,988,242**	1,943,703	1,250,075	820,005	1,005,018
Owners of perpetual capital securities	**349,830**	246,621	–	–	–
Non-controlling interests of subsidiaries	**360,531**	285,670	123,521	8,305	24,365
	3,698,603	2,475,994	1,373,596	828,310	1,029,383

ASSETS AND LIABILITIES

	As at 31 December				
	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**78,951,703**	69,735,458	50,400,131	40,056,307	42,483,789
Total liabilities	**(54,184,261)**	(48,121,032)	(36,167,503)	(26,080,440)	(28,431,237)
	24,767,442	21,614,426	14,232,628	13,975,867	14,052,552
Attributable to:					
Owners of the Company	**17,398,063**	15,635,078	13,291,831	13,155,397	13,207,891
Perpetual capital securities	**4,632,638**	4,633,096	–	–	–
Non-controlling interests of subsidiaries	**2,736,741**	1,346,252	940,797	820,470	844,661
	24,767,442	21,614,426	14,232,628	13,975,867	14,052,552

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