



*Multifield*

**Multifield International Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0898)

**2018** ANNUAL  
REPORT

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**CORPORATE INFORMATION****BOARD OF DIRECTORS****Executive Directors**

Mr. Lau Chi Yung, Kenneth (*Chairman*)  
Mr. Lau Michael Kei Chi  
(*Vice-Chairman and Managing Director*)

**Independent Non-executive Directors**

Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Tsui Ka Wah

**AUDIT COMMITTEE**

Mr. Wong Yim Sum (*Chairman*)  
Mr. Lee Siu Man, Ervin  
Mr. Tsui Ka Wah

**REMUNERATION COMMITTEE**

Mr. Tsui Ka Wah (*Chairman*)  
Mr. Lau Chi Yung, Kenneth  
Mr. Lau Michael Kei Chi  
Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum

**NOMINATION COMMITTEE**

Mr. Lau Chi Yung, Kenneth (*Chairman*)  
Mr. Lau Michael Kei Chi  
Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Tsui Ka Wah

**COMPANY SECRETARY**

Mr. Li Ying Leung

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
Bank J. Safra Sarasin Ltd, Hong Kong Branch  
Bank of China  
East West Bank, Hong Kong Branch

**SOLICITORS**

Ng and Fang Solicitors & Notaries  
Wong & Tang Solicitors  
Beijing Dentons Law Offices, LLP (Zhuhai)  
Guangdong Langqian Law Firm

**AUDITORS**

HLB Hodgson Impey Cheng Limited  
*Certified Public Accountants*  
31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**REGISTERED OFFICE**

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

**PRINCIPAL PLACE OF BUSINESS**

Units 22-28, 25/F  
Tower A, Southmark  
11 Yip Hing Street  
Wong Chuk Hang  
Hong Kong

**PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE**

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

**HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE**

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

## **CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS**

On behalf of the board of directors (the “Board”) of Multifield International Holdings Limited (the “Company”), I am pleased to present the annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018.

### **REVIEW OF OPERATION**

During the year under review, the Group recorded a net profit of approximately HK\$864 million (2017: HK\$826 million).

The Group's rental income in Hong Kong recorded an increase of approximately 5% (2017: decrease of 5%).

The Group's rental income from hotel-serviced apartments and villas in Shanghai remains stable (2017: remains stable).

The Group's equity investments recorded fair value loss of approximately HK\$223 million (2017 gain of HK\$335 million). Equity investments recorded dividend income of approximately HK\$56 million (2017: HK\$54 million).

As the fair value gain of investment properties held by the Group is significantly higher (approximately 396%) than that for year 2017, the Group's consolidated profit after tax for the year ended 31 December 2018 is higher (approximately 5%) than that for the corresponding period in year 2017.

### **PROPERTY INVESTMENT**

#### **Hong Kong**

The Group's investment properties in Hong Kong mainly comprise of office buildings, industrial buildings, retail shops and car parks. Benefited from increase in property market price in Hong Kong in 2018, the Group's investment properties portfolio contributed stable rental revenue of approximately HK\$69 million in 2018 (2017: HK\$66 million).

Occupation permit has been issued by Buildings Department on 6 July 2018 to the Group's new building at 54 Wong Chuk Hang Road. It is expected that the new building will provide a new and stable source of income to the Group.

#### **Shanghai, China**

The Group's properties portfolio in Shanghai, China is divided into three residential complexes, comprising of around 182 blocks of hotel-serviced villas and 132 hotel-serviced apartments respectively. The properties in Shanghai are operated under the name of “Windsor Renaissance”, which is regarded as a symbol of high quality villas and hotel-serviced apartments in Shanghai, and are well recognised by consulates and foreign business entities. The Shanghai properties have an average occupancy rate of approximately 90%, and generates rental and management fee revenue of approximately HK\$152 million in 2018 (2017: HK\$148 million).

**CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS****Zhuhai, China***Zhuhai Qianshan*

The Group's 36,808 square meters of commercial-use land in Qianshan ("Qianshan Land") is under relocation progress. In July 2015, a new relocation policy transferred the responsibility of relocation from Land Department ("國土局") to Xiangzhou District Government (香洲區政府). In support of Xiangzhou District Government's relocation work, the Group proposed to apportion a part of Qianshan Land to accommodate the relocation of demolished households. The Town Planning Department ("規劃局") supports the Group's proposal in principle, and so in July 2018, the Group submitted a plan to Xiangzhou District Government, Land Department and Town Planning Department to alter the town plan of Qianshan Land to accommodate for relocation of demolished households. The Land Department and Town Planning Department replied they will implement the Group's proposed plan after Xiangzhou District Government have conducted a study and Zhuhai Municipal Government ("珠海市政府") have given its approval.

*Zhuhai Doumen*

The Group holds a parcel of exhibition and commercial-use land located in Doumen district, Zhuhai, the PRC ("Doumen Land"). Doumen District Government ("斗門區政府") had proposed to buy back Doumen Land from the Group due to a change in town planning and had offered a compensation to the Group. However, the land certificate of Doumen Land was rescinded by Doumen District Government prior to reaching a consensus on compensation.

The management of the Group questions the legality of Doumen District Government's actions regarding the change in town planning of Doumen Land and the unfair process of rescinding the land certificate. The Group have appealed to the Supreme People's Court for retrial in March 2018, and the case is currently under review.

The Group also filed for administrative reconsideration against Zhuhai Municipal Government regarding the unfair compensation decision on Doumen Land, which was a result of unjust valuation method. In response, the Land Department is reviewing the validity of its administrative actions and have canceled the original compensation decision. Since then, Doumen District Government and the Group have mutually appointed an independent property valuer to reassess the compensation valuation of Doumen Land.

The Group is engaged in ongoing legal proceedings with the government up to the date of approval of these consolidated financial statements. And though the outcome of litigation is uncertain and the amount of the compensation is yet to be concluded, it is not expected to cause a material negative impact on the daily operations or trading position of the Group.

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL INVESTMENTS

Worldwide economy and stocks markets were volatile in 2018.

As of 31 December 2018, the Group held approximately HK\$1,240 million (2017: HK\$1,481 million) of highly liquid equity investments, which mainly consisted of blue chips stocks and Exchange Traded Funds listed in Hong Kong. The equity and bonds investments were held by the Group for long-term investment purpose and to receive dividend income.

The Group's equity investments recorded a net fair value loss of approximately HK\$223 million (2017: gain of HK\$335 million) when marking the investment portfolios to market valuation as of 31 December 2018, and dividend income of approximately HK\$56 million (2017: HK\$54 million).

The equity investments held by the Group as at 31 December 2018 were as follows:

Stock Code	Company Name	Number of shares held as at 31 December 2018 '000	Percentage of shareholding as at 31 December 2018 %	Fair value gain/(loss) for the year ended 31 December 2018 HK\$'000	Dividend income for the year ended 31 December 2018 HK\$'000	Fair value/ carrying amount as at 31 December 2018 HK\$'000
2800	Tracker Fund of Hong Kong	16,250	0.51	(65,000)	15,438	423,313
5	HSBC Holdings plc	5,743	0.03	(87,001)	22,969	372,124
2828	Hang Seng H-Share Index ETF	2,664	0.88	(42,091)	8,258	272,794
3988	Bank of China Limited	29,300	0.04	(13,478)	6,199	99,034
941	China Mobile Limited	340	0.00	(1,326)	1,159	25,619
2628	China Life Insurance Company Limited	1,000	0.01	(7,910)	489	16,640
857	PetroChina Co. Ltd.	2,378	0.01	(1,355)	419	11,604
	Other listed securities <sup>#</sup>			(4,464)	702	19,201
				<u>(222,625)</u>	<u>55,633</u>	<u>1,240,329</u>

<sup>#</sup> Other listed securities mainly represented the Group's investment in 14 companies whose shares were mainly listed on the Main Board of The Stock Exchange of Hong Kong Limited. The carrying value of each of these investments represented less than 1% of the total assets of the Group as at 31 December 2018.

As at 31 December 2018, the equity investments mainly represented listed securities in Hong Kong. The Board acknowledges that the performance of the equity investments may be affected by worldwide economy, volatility in the Chinese and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investments, the management will closely monitor the performance of respective equity investments and the changes in market condition. The Company will adjust the Company's portfolio of investments as the Board considers appropriate.

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

### ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not make any material acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2018.

### FOREIGN CURRENCY EXPOSURE

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and the United States dollar. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and when appropriate hedge its currency risk.

As of 31 December 2018, the Group has not entered into any financial instrument for foreign currency hedging purpose.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and/or debt investments of approximately HK\$1,240 million (2017: HK\$1,481 million) as of 31 December 2018. The Group's cash and cash equivalents as of 31 December 2018 amounted to approximately HK\$426 million (2017: HK\$384 million).

As of 31 December 2018, the Group had total bank and other borrowings amounting to approximately HK\$1,939 million (2017: HK\$2,032 million), which were secured by legal charges on the Group's certain investment properties in Hong Kong and Shanghai, and certain equity investments. The Group's bank borrowings were mainly arranged on a floating rate basis. The maturity of bank and other borrowings of the Group as at 31 December 2018, ignoring the effect of any repayment on-demand clause, was as follows:

	<i>HK\$'000</i>
Within one year	1,352,517
In the second year	214,553
In the third to fifth years, inclusive	<u>371,772</u>
Total	<u><u>1,938,842</u></u>

With the total bank and other borrowings of approximately HK\$1,939 million (2017: HK\$2,032 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$10,619 million (2017: HK\$10,121 million), the Group's gearing ratio as at 31 December 2018 was around 18% (2017: 20%).

## **CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS**

### **CONTINGENT LIABILITY**

As of 31 December 2018, the Group had no material contingent liability.

### **COMMITMENTS**

As at 31 December 2018, the Group had committed payment for the construction and land development expenditure amounting to approximately HK\$43 million (2017: HK\$104 million).

### **EMPLOYEES AND REMUNERATION POLICY**

As of 31 December 2018, the Group had approximately 220 employees in Shanghai, Zhuhai and Hong Kong. During the year, the staff costs (including directors' emoluments) amounted to approximately HK\$27 million (2017: HK\$26 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), their performance, experience and the prevailing market condition are mainly considered. In addition to salaries, provident fund scheme, discretionary bonuses and tuition/training subsidies are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

### **PROSPECT**

The US Federal Reserve had increased the interest rate 4 times in 2018 (in March 2018, June 2018, September 2018 and December 2018 respectively.). As Hong Kong dollar is pegged to the United States dollar, Hong Kong may also increase its interest rate in the future. These factors may exert pressure on price of equity investments held by the Group, particularly in high-yield equity investments. Besides, the potential risks from Chinese economy may have a significant impact on Hong Kong's rental market.

The Hong Kong property market, and residential market in particular had experienced enduring growth over the past two years since the beginning of 2016. Although the business sector urges HK Government to withdraw the doubled ad valorem stamp duty (DSD) currently imposed on residential property transactions, the Government has no plan to remove the control measure with goal to stabilize the property market in Hong Kong.

Other factors such as stock market volatility, interest rate hikes and increased supply in government subsidized housing may also hinder the Group's development in the residential property market, resulting in a potential slide in the market value of its investment properties in Hong Kong.



## **CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS**

Looking ahead to 2019, the global political and economic environment will inevitably be influenced due to the uncertainties over the US-China trade war and the ongoing Brexit negotiations. Even though it is expected that the economic growth in the Chinese economy will remain slow-paced, the Group is still facing the challenge on the rising costs of operating in China, namely currency fluctuation, high wages, utility expenses, and increasing property refurbishment fees.

The Group will continue to manage the business prudently in order to enhance operational quality, while at the same time seeking appropriate investment opportunities, with a view to increasing profitability and shareholder return.

### **ACKNOWLEDGEMENT**

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust. The Board and management have decided to propose a final dividend of HK0.75 cents per share at the forthcoming annual general meeting. I would also like to thank my fellow directors for their support and all the staff for their dedication and hard work. I believe that we will create greater value to our investors in the future.

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 28 March 2019

## BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. LAU Chi Yung, Kenneth**, aged 59, is the Chairman of the Company. Mr. Lau is also the Chairman and Director of Oriental Explorer Holdings Limited (Stock Code: 430) (“Oriental Explorer”), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

**Mr. LAU Michael Kei Chi**, aged 65, is the Vice-Chairman and Managing Director of the Company. He joined the Group in 1997. Mr. Lau is also the Vice-Chairman and Managing Director of Oriental Explorer and is the elder brother of Mr. Lau Chi Yung, Kenneth.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LEE Siu Man, Ervin**, aged 63, joined the Group as an Independent Non-executive Director in 1997. He is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects, and the founder and Managing Director of Fotton-ELA Architects Ltd. and Ervin & Lloyds Engineering Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning, and estate surveying and construction in the building and development field. He is also an Independent Non-executive Director of Oriental Explorer.

**Mr. WONG Yim Sum**, aged 53, joined the Group as an Independent Non-executive Director in 2004. He is practicing as a Certified Public Accountant, and is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He is the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. He has extensive experience in the finance and auditing fields. He is also an Independent Non-executive Director of Oriental Explorer.

**Mr. TSUI Ka Wah**, aged 66, joined the Group as an Independent Non-executive Director in 2010. He has 28 years of banking experience with the United States and local banks, and has held various management positions in corporate, retail and private banking. Until 2009, he was the President of Great China Region for a U.S. bank, overseeing operations in Taiwan, the People’s Republic of China (the “PRC”) and Hong Kong. Since August 2013, he has held the position of Chief Executive Officer of SME Credit Company Limited. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong. He is also an Independent Non-executive Director of Oriental Explorer, Southeast Asia Properties & Finance Limited (Stock Code: 252) and Grand Ming Group Holdings Limited (Stock Code: 1271) respectively, whose shares are listed on the main board of the Hong Kong Stock Exchange.

### SENIOR MANAGEMENT

#### Hong Kong

**Ms. SIU Wai King, Donna**, aged 54, joined the Group in 1992. She is the General Manager of the Group. She is responsible for the Group’s Hong Kong property business and headquarter’s operations, and has over 20 years’ experience in property business.

**Mr. LI Ying Leung**, aged 48, joined the Group in 2014. He is the Manager of the Accounting Department of the Group and the Company Secretary of the Company. He holds a Bachelor Degree, and is a member of the HKICPA. He has over 15 years’ experience in auditing and accounting.

**BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT****Shanghai, PRC**

**Mr. MASSY Jean-Philippe**, aged 42, joined the Group in 2006. He is the General Manager of the Group's subsidiaries in Shanghai. He is responsible for the property management and sales operation in Shanghai. He holds a Master Degree in Management. He has over 10 years' experience in management and marketing.

**Ms. FAN Qing**, aged 49, joined the Group in 1996. She is the Deputy General Manager of the Group's subsidiaries in Shanghai, responsible for the Finance Department in Shanghai. She holds the qualification of Middle Level Accountant (國家中級會計師資格). She has over 15 years' experience in accounting, real estate development and operation.

**Ms. WANG Shu Fen**, aged 63, joined the Group in 2000. She is the Senior Manager of the Group's subsidiaries in Shanghai. She is a Certified Public Accountant. She is responsible for costs control and internal audit in the Procurement Department in Shanghai and has over 15 years' experience.

**Ms. WANG Wen Yang**, aged 40, joined the Group in 2001. She is the Senior Manager of the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She is responsible for the leasing and sales of properties in Shanghai. She has over 10 years' experience in real estate leasing.

**Ms. WANG Yu**, aged 47, joined the Group in 2002. She is the Senior Manager of the Group's subsidiaries in Shanghai, responsible for the Personnel and Administration Department. She holds a Bachelor Degree. She has over 10 years' experience in personnel and administration.

**Ms. MAO Ling Hua**, aged 44, joined the Group in 1996. She is the Senior Manager of the Group's subsidiaries in Shanghai, responsible for property management. She has over 15 years' experience in property management.

**Ms. SHEN Yan**, aged 45, joined the Group in 2001. She is the Senior Manager of the Group's subsidiaries in Shanghai, responsible for property management. She holds a Bachelor Degree. She has over 10 years' experience in property management.

**Ms. ZHANG Qian**, aged 41, joined the Group in 2003. She is the Manager of the Group's subsidiaries in Shanghai, responsible for property management. She has over 10 years' experience in property management.

**Ms. GUO Jin Hong**, aged 39, joined the Group in 2002. She is the Deputy Manager of Finance Department of the Group's subsidiaries in Shanghai. She has over 10 years' experience in accounting and property operation.

**Zhuhai, PRC**

**Ms. GU He**, aged 42, joined the Group in 2001. She is the Deputy General Manager of the Group's subsidiaries in Zhuhai. She holds a Bachelor Degree and the qualification of Middle Level Accountant (國家中級會計師資格). She has over 15 years' experience in accounting, real estate development and operation.

**Ms. JIAN Chu Shan**, aged 44, joined the Group in 2007. She is the Manager of Finance Department of the Group's subsidiaries in Zhuhai. She holds a Bachelor Degree and the qualification of Middle Level Accountant (國家中級會計師資格). She has over 10 years' experience in accounting.

## REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 1 to the consolidated financial statements.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 35 and pages 110 to 111.

The directors recommend the payment of a final dividend of HK0.75 cents per ordinary share in respect of the year ended 31 December 2018 (2017: HK0.75 cents), to shareholders whose name appeared on the register of members on 4 June 2019. The final dividend if approved, will be payable to the shareholders on or around 26 June 2019.

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years. The information has been extracted from the published audited financial statements of the Company, after appropriate adjustments and reclassifications. This summary does not form any part of the audited financial statements.

### RESULTS

	Year ended 31 December				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
REVENUE	55,780	603,593	263,774	77,319	353,493
Cost of sales	(47,815)	(51,002)	(43,839)	(43,033)	(38,427)
Gross profit	7,965	552,591	219,935	34,286	315,066
Other income and gains	1,063,744	368,522	737,854	1,334,746	456,716
Operating and administrative expenses	(50,969)	(49,880)	(44,933)	(46,869)	(51,755)
Finance costs	(42,551)	(34,393)	(31,544)	(27,453)	(21,024)
PROFIT BEFORE TAX	978,189	836,840	881,312	1,294,710	699,003
Income tax expense	(114,543)	(10,945)	(196,558)	(379,222)	(52,215)
PROFIT FOR THE YEAR	863,646	825,895	684,754	915,488	646,788
Attributable to:					
Owners of the Company	732,554	651,494	516,430	659,603	480,088
Non-controlling interests	131,092	174,401	168,324	255,885	166,700
	863,646	825,895	684,754	915,488	646,788

## REPORT OF THE DIRECTORS

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	12,202,305	11,638,527	10,530,526	10,000,974	8,583,290
Total liabilities	(3,522,336)	(3,550,041)	(3,508,793)	(3,252,140)	(2,481,883)
Non-controlling interests	(1,679,137)	(1,609,357)	(1,348,538)	(1,462,943)	(1,287,464)
	<u>7,000,832</u>	<u>6,479,129</u>	<u>5,673,195</u>	<u>5,285,891</u>	<u>4,813,943</u>

### BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 are set out in the section headed “Chairman’s Statement and Management Discussion and Analysis” on pages 3 to 8 of the annual report and forms part of the “Report of the Directors”.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to support the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group’s environmental impact. The Company also strives to implement recycling and reducing measures in office premises where applicable.

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

### RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus employee management focuses on recruiting and growing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group’s corporate strategy.

The Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in Notes 14 and 15 to the consolidated financial statements, respectively.

### PROPERTIES HELD FOR SALE

Details of the Group’s properties held for sale are set out in Note 17 to the consolidated financial statements.

**REPORT OF THE DIRECTORS****SHARE CAPITAL AND SHARE OPTION SCHEME**

Details of movements in the share capital and share option scheme of the Company during the year are set out in Notes 27 and 28 to the consolidated financial statements, respectively.

**PRE-EMPTIVE RIGHTS**

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

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

**RESERVES**

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

**DISTRIBUTABLE RESERVES**

As of 31 December 2018, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act of Bermuda, amounted to approximately HK\$1,048,372,000.

**MAJOR CUSTOMERS AND SUPPLIERS**

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

**DIRECTORS**

The directors of the Company (the "Director(s)") during the year and up to the date of this report were:

**Executive Directors**

Mr. Lau Chi Yung, Kenneth (Chairman)  
Mr. Lau Michael Kei Chi (Vice-Chairman and Managing Director)

**Independent Non-executive Directors**

Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Tsui Ka Wah

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Wong Yim Sum and Mr. Tsui Ka Wah will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## REPORT OF THE DIRECTORS

### BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biography of the Directors and senior management of the Group are set out on pages 9 to 10 of the annual report.

### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' MATERIAL INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed in Note 34 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the businesses of the Company and its subsidiaries to which the Company or any of its subsidiary was a party and in which a director of the Company or his connected entity had a material interest, whether directly or indirectly, subsisted at any time during the year.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

### CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the "Corporate Governance Report" of this annual report.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company and each of their respective associates, in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

#### Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

## REPORT OF THE DIRECTORS

### Long position in ordinary shares of associated corporation – Oriental Explorer, a subsidiary of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,729,540,999*	64.06

\* *The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.*

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as of 31 December 2018, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above and in the share option scheme disclosures in Note 28 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as was known to the Directors, as of 31 December 2018, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in ordinary shares of the Company

Name of Shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Power Resources Holdings Limited	Interest of controlled corporation	2,797,055,712*	66.91
Lucky Speculator Limited	Directly beneficially owned	2,195,424,000*	52.52
Desert Prince Limited	Directly beneficially owned	601,631,712*	14.39

\* *Power Resources Holdings Limited was deemed to have a beneficial interest in 2,797,055,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.*

Save as disclosed above, as at 31 December 2018, so far as was known to the Directors, no person, other than the Directors, whose interests are set out in the section "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### CONNECTED TRANSACTIONS

Details of the connected transactions are set out in Note 34 to the consolidated financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as of the date of this report.

**REPORT OF THE DIRECTORS**

**AUDITORS**

The financial statements for the years ended 31 December 2016, 2017 and 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong  
28 March 2019

## **CORPORATE GOVERNANCE REPORT**

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subjected to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 25 May 2018 (the “2018 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2018 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2018 AGM.

### **BOARD COMPOSITION AND BOARD PRACTICE**

The Board is mandated to promote the success of the Company by providing leadership and supervising control of the Group’s business.

Currently, the Board comprises of two executive Directors and three independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group’s overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

Save as Mr. Lau Michael Kei Chi is the elder brother of Mr. Lau Chi Yung, Kenneth, the members of the Board have no financial, business, family or other material/relevant relationships with one another.

## CORPORATE GOVERNANCE REPORT

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Consideration was given to the independence of Mr. Lee Siu Man, Ervin and Mr. Wong Yim Sum, who have served on the Board for more than 21 years and 14 years respectively.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The brief biography of the Directors are set out on page 9.

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2018, the attendance of individual Director to the Board meeting and general meeting is summarized below:

	<b>Number of meetings attended/held</b>	
	<b>Board meetings</b>	<b>General meeting</b>
<b>Executive Directors</b>		
Mr. Lau Chi Yung, Kenneth	9/9	1/1
Mr. Lau Michael Kei Chi	9/9	1/1
<b>Independent Non-executive Directors</b>		
Mr. Lee Siu Man, Ervin	9/9	1/1
Mr. Wong Yim Sum	9/9	1/1
Mr. Tsui Ka Wah	9/9	1/1

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

### BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in December 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee has set measurable objectives based on talents, skills, regional and industry experience, background, gender and other qualities to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

## CORPORATE GOVERNANCE REPORT

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2018. The interests held by individual Directors in the Company's securities as of 31 December 2018 are set out in the "Report of the Directors" on pages 11 to 17.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance from the Finance Department, which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

The statement of the external auditors of the Company, HLB Hodgson Impey Cheng Limited, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditors' Report included in this annual report.

### DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

Briefings were organised for Directors in 2018 to update the Directors on the duties of directors and roles and function of board committees, risk management and internal control, environmental, social and governance reporting, corporate governance, and director's responsibilities at IPO were given to the Directors.

During the year, according to the records provided by the Directors, a summary of training is as follows:

#### Type of continuous professional development programmes

##### Executive Directors

Mr. Lau Chi Yung, Kenneth	A, B
Mr. Lau Michael Kei Chi	A, B

##### Independent Non-executive Directors

Mr. Lee Siu Man, Ervin	A, B
Mr. Wong Yim Sum	A, B
Mr. Tsui Ka Wah	A, B

##### Notes:

- A: reading materials and seminars on corporate governance and regulatory updates
- B: reading materials and seminars on directors' duties, environmental, social and governance reporting, Listing Rules compliance update, accounting and tax update, and other applicable legal and regulatory requirements

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Chi Yung, Kenneth serves as the Chairman of the Company, and the role of Chief Executive Officer of the Company is served by our Managing Director, Mr. Lau Michael Kei Chi. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Managing Director is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

### AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the Listing Rules. The Audit Committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the Audit Committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system, the effectiveness of the Group's internal audit function and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The Audit Committee should meet at least twice each year and when the need arises. Details of the attendance of Audit Committee meetings are as follows:

Members	Number of meetings attended/held
Mr. Wong Yim Sum ( <i>Chairman</i> )	4/4
Mr. Lee Siu Man, Ervin	4/4
Mr. Tsui Ka Wah	4/4

In the presence of the representatives of the Company's independent external auditors, the Group's audited consolidated financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

The accounts for the year ended 31 December 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

### REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are to consider and recommend to the Board the Company's remuneration policy and structure and to review and determine the remuneration and compensation packages of the executive directors and senior management of the Company. The Remuneration Committee reviews and proposes the management's remuneration proposals with reference to considerations factors such as the Group's performance and profitability, directors' experience, responsibilities and time commitment, existing market environment, salaries paid by comparable companies, employment conditions elsewhere in the Group, and considers the reasonableness on remuneration based on performance.

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee set up on 16 September 2005 comprises two executive Directors and three independent non-executive Directors. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Tsui Ka Wah ( <i>Chairman</i> )	1/1
Mr. Lau Chi Yung, Kenneth	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Wong Yim Sum	1/1

### NOMINATION COMMITTEE

The role of Nomination Committee set up on 28 March 2012 is to advise on and propose to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Lau Chi Yung, Kenneth ( <i>Chairman</i> )	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Wong Yim Sum	1/1
Mr. Tsui Ka Wah	1/1

The Nomination Committee periodically reviews the structure, size and composition of the Board, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

Most Nomination Committee members are independent non-executive directors.

### REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out in Note 9 to the consolidated financial statements.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility for maintaining a sound and effective system of internal controls and risk management. The Board has identified the top risks of the Group and determined how much risk the Board is willing to take to achieve the Group's strategic objectives. During year 2016, an in-house internal audit department had been set up. In addition, the Group established a risk management system. Each business unit is required to identify and manage risks on a day-to-day basis as the first line of defence. Internal auditor, as the second line of defence, provides independent and objective assurance on the overall effectiveness of the internal control and risk management system.

## CORPORATE GOVERNANCE REPORT

The audit committee had reviewed the adequacy and effectiveness of the Group's risk management and internal controls system based on the review report audit undertaken by the internal auditor. The Board, through the review by the audit committee, considers that the Group's internal control and risk management system is effective and adequate.

There are inherent limitations in any systems of risk management and internal control and accordingly the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business of objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are also procedures including pre-clearance on dealing in the Group's securities by designated Directors, notification of regular blackout period and securities dealing restrictions to Directors and relevant employees, and dissemination of information for specified purpose and on a need-to-know basis have been implemented to guard against possible mishandling of inside information within the Group.

### **BUSINESS MODEL AND STRATEGY**

The Group has the mission to maintain long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board has played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and financial review in the year 2018 are set out in the "Chairman's Statement and Management Discussion and Analysis" section of this annual report.

### **AUDITORS' REMUNERATION**

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2018, the auditors of the Company received approximately HK\$1,050,000 for audit service and Nil for tax and consultancy services.

### **COMPANY SECRETARY**

As at 31 December 2018, the company secretary of the Company, Mr. Li Ying Leung fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2018.

### **SHAREHOLDERS' RIGHTS**

#### **Procedures for shareholders to convene a Special General Meeting (the "SGM")**

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.



## **CORPORATE GOVERNANCE REPORT**

### **Procedures for directing shareholders' enquiries to the Board**

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong  
Email: [contact@multifield.com.hk](mailto:contact@multifield.com.hk)

Shareholders may also make enquiries with the Board at the general meetings of the Company.

### **Procedures for putting forward proposals at shareholders' meeting**

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's principal place of business in Hong Kong at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

## **CONSTITUTIONAL DOCUMENTS**

There are no changes in the Company's constitutional documents during the year.

## **INVESTOR RELATIONS AND COMMUNICATION**

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

## INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**To the shareholders of Multifield International Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of Multifield International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 30 to 111, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 *Auditors’ 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.

## INDEPENDENT AUDITORS' REPORT

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 matters

#### How our audit addressed the key audit matters

##### *Valuation of investment properties*

Refer to Note 15 to the consolidated financial statements.

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimates associated with determining the fair value.

As at 31 December 2018, the Group had investment properties at a carrying amount of approximately HK\$9,799,130,000, with a gain arising on change in fair value of investment properties amounting to approximately HK\$1,047,423,000 recognised in the consolidated statement of profit or loss for the year then ended.

All of the Group's investment properties are stated at fair value based on valuations performed by an independent qualified professional valuer not connected with the Group.

The valuations were based on the direct comparison approach which involved the use of estimates and assumptions including recent sales price of similar properties with adjustments for any difference in location and condition of the properties.

Our key procedures in relation to the valuation of investment properties included:

- Communicating with the management about the valuation techniques adopted by the valuer, obtaining the valuation reports for all properties measured at fair value, and assessing the relevance and reasonableness of valuation techniques used by the valuer;
- Evaluating the appropriateness of the key input data used in the determination of fair value; comparing the key inputs to supporting evidence such as recent sale transaction on the market;
- Engaging an auditors' expert to assist our assessment on the appropriateness of the methodologies and the reasonableness of the assumptions and key input data adopted in the valuation; and
- Evaluating the independent qualified professional valuer's competence, capabilities and objectivity and reviewing their terms of engagement with the Group.

## INDEPENDENT AUDITORS' REPORT

### Key audit matters

### How our audit addressed the key audit matters

#### *Carrying amount of equity investments at fair value through profit or loss*

Refer to Note 20 to the consolidated financial statements.

We identified the carrying amount of equity investments at fair value through profit or loss as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the impact on revenue.

As at 31 December 2018, the Group had listed equity investments at a carrying amount of approximately HK\$1,240,329,000 classified as level 1 financial instruments (measured based on quoted bid prices in an active market).

Our key procedures in relation to the existence, valuation and completeness of the Group's portfolio of listed equity investments included:

- Assessing the processes in place to record investment transactions and to value the portfolio;
- Agreeing the pricing of the listed investments to externally quoted prices; and
- Agreeing the listed investment holdings to independently received third party custodian confirmations.

### 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 auditors' 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 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITORS' REPORT

### AUDITORS' 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 auditors' report that includes our opinion. This report is made 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 HKSA's 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 HKSA's, we exercise professional judgement 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 auditors' 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 auditors' 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.

## INDEPENDENT AUDITORS' REPORT

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 auditors' 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 director on the audit resulting in this independent auditors' report is Chan Ching Pang.

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

**Chan Ching Pang**  
Practising Certificate Number: P05746

Hong Kong, 28 March 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>REVENUE</b>	5	<b>55,780</b>	603,593
Cost of sales		<u>(47,815)</u>	<u>(51,002)</u>
Gross profit		<b>7,965</b>	552,591
Other income and gains	5	<b>14,197</b>	15,917
Foreign exchange differences, net		<b>(7,136)</b>	14,243
Fair value gains on investment properties, net		<b>1,047,423</b>	211,363
Gain on disposal of investment properties		<b>9,260</b>	–
Gain on derecognition of properties for development		–	126,999
Operating and administrative expenses		<b>(50,969)</b>	(49,880)
Finance costs	7	<u>(42,551)</u>	<u>(34,393)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>978,189</b>	836,840
Income tax expense	10	<u>(114,543)</u>	<u>(10,945)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>863,646</b></u>	<u>825,895</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>732,554</b>	651,494
Non-controlling interests		<u><b>131,092</b></u>	<u>174,401</u>
		<u><b>863,646</b></u>	<u>825,895</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	12	<u><b>HK17.52 cents</b></u>	<u>HK15.58 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>863,646</b>	<b>825,895</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent period:</i>		
Exchange differences on translation of foreign operations	<u>(215,728)</u>	<u>297,293</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>647,918</u></b>	<b><u>1,123,188</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		
<b>ATTRIBUTABLE TO:</b>		
Owners of the Company	<u>578,138</u>	<u>862,369</u>
Non-controlling interests	<u>69,780</u>	<u>260,819</u>
	<b><u>647,918</u></b>	<b><u>1,123,188</u></b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	212,971	224,960
Investment properties	15	9,799,130	9,005,730
Prepaid land lease payments	16	375	383
Club debenture		670	670
		<hr/>	<hr/>
Total non-current assets		<b>10,013,146</b>	9,231,743
<b>CURRENT ASSETS</b>			
Properties held for sale	17	281,851	281,851
Trade receivables	18	3,702	9,957
Prepayments, deposits and other receivables	19	237,677	249,060
Equity investments at fair value through profit or loss	20	1,240,329	1,481,034
Pledged deposits	21	–	570
Cash and cash equivalents	21	425,600	384,312
		<hr/>	<hr/>
Total current assets		<b>2,189,159</b>	2,406,784
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>12,202,305</b>	11,638,527
<b>CURRENT LIABILITIES</b>			
Trade payables	22	1,858	1,245
Other payables and accruals	23	177,134	161,790
Deposits received		56,184	62,529
Interest-bearing bank and other borrowings	24	1,553,842	2,032,117
Tax payable		50,784	50,227
		<hr/>	<hr/>
Total current liabilities		<b>1,839,802</b>	2,307,908
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>349,357</b>	98,876
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,362,503</b>	9,330,619
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	24	385,000	–
Amount due to a director	25	26,344	15,416
Deferred tax liabilities	26	<u>1,271,190</u>	<u>1,226,717</u>
Total non-current liabilities		<u>1,682,534</u>	<u>1,242,133</u>
<b>Net assets</b>		<u><b>8,679,969</b></u>	<u>8,088,486</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	27	41,804	41,804
Reserves	29	<u>6,959,028</u>	<u>6,437,325</u>
		7,000,832	6,479,129
Non-controlling interests		<u>1,679,137</u>	<u>1,609,357</u>
<b>Total equity</b>		<u><b>8,679,969</b></u>	<u>8,088,486</u>

**Lau Chi Yung, Kenneth**  
*Chairman*

**Lau Michael Kei Chi**  
*Vice-Chairman*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000 (Note 27)	Share premium account HK\$'000	Contributed surplus HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2017	41,804	39,116	293,372	7,448	337,691	4,953,764	1,348,538	7,021,733
Total comprehensive income for the year	-	-	-	-	210,875	651,494	260,819	1,123,188
Final 2016 dividend declared	-	-	-	-	-	(31,353)	-	(31,353)
Interim 2017 dividend	-	-	-	-	-	(25,082)	-	(25,082)
At 31 December 2017	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>7,448*</u>	<u>548,566*</u>	<u>5,548,823*</u>	<u>1,609,357</u>	<u>8,088,486</u>
At 1 January 2018	<b>41,804</b>	<b>39,116</b>	<b>293,372</b>	<b>7,448</b>	<b>548,566</b>	<b>5,548,823</b>	<b>1,609,357</b>	<b>8,088,486</b>
Total comprehensive (expense)/income for the year	-	-	-	-	(154,416)	732,554	69,780	647,918
Final 2017 dividend declared	-	-	-	-	-	(31,353)	-	(31,353)
Interim 2018 dividend	-	-	-	-	-	(25,082)	-	(25,082)
At 31 December 2018	<u><b>41,804</b></u>	<u><b>39,116*</b></u>	<u><b>293,372*</b></u>	<u><b>7,448*</b></u>	<u><b>394,150*</b></u>	<u><b>6,224,942*</b></u>	<u><b>1,679,137</b></u>	<u><b>8,679,969</b></u>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$6,959,028,000 (2017: HK\$6,437,325,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net cash flows from operating activities	30	<b>216,378</b>	304,880
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(1,941)	(2,051)
Purchases of investment properties		(55,010)	(132,615)
Payment for acquisition of a subsidiary, net of cash acquired		–	(55,000)
Payment for deferred consideration in respect of acquisition of a subsidiary		–	(43,973)
Decrease/(increase) in pledged deposits		570	(217)
Proceeds from disposal of items of property, plant and equipment		1,020	923
Proceeds from disposal of items of investment properties		43,460	–
Interest received		1,436	840
		<b>(10,465)</b>	(232,093)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New interest-bearing borrowings		400,000	210,000
Repayment of interest-bearing borrowings		(507,160)	(202,081)
Net change in short-term revolving loans		13,885	(27,856)
Advance from a director		38,344	76,325
Repayment to a director		(27,386)	(62,681)
Interest paid		(42,258)	(33,946)
Dividends paid		(56,431)	(56,390)
		<b>(181,006)</b>	(96,629)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>24,907</b>	(23,842)
Cash and cash equivalents at beginning of year		384,312	437,286
Effect of foreign exchange rate changes, net		16,381	(29,132)
		<b>425,600</b>	384,312
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	75,700	89,412
Non-pledged deposits with original maturity of less than three months when acquired	21	349,900	294,900
		<b>425,600</b>	384,312
Cash and cash equivalents		<b>425,600</b>	384,312

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE AND GROUP INFORMATION

Multifield International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business of the Company is located at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- property investment;
- provision of serviced apartment and property management services; and
- trading of securities and investment holding.

In the opinion of the directors, the holding company of the Company is Lucky Speculator Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

#### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company %	Principal activities
Call Rich Investments Limited	British Virgin Islands	US\$50,000	61.04 (Note (ii))	Investment holding
Chater Land Limited	Hong Kong	HK\$1	62.53 (Note (iv))	Property investment
Charter Million Investment Limited	Hong Kong/ People’s Republic of China (PRC)	HK\$2	63.20	Property investment
Conrad Shipping Limited	Hong Kong	HK\$1	100	Property investment
Ernesto Investments Limited	British Virgin Islands	US\$1	62.53 (Note (iv))	Investment holding
Ever Ford Development Limited	Hong Kong/PRC	HK\$10,000	62.53 (Note (iv))	Property investment

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE AND GROUP INFORMATION *(continued)*

#### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company %	Principal activities
Fexlink Limited	Hong Kong	HK\$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding
Fortune Text Holdings Limited	Hong Kong/PRC	HK\$2	63.20	Property investment
Gain Power Consultants Limited	Hong Kong	HK\$1	62.53 <i>(Notes (iv))</i>	Property investment
Godfrey Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/PRC	US\$50,000	76.62 <i>(Notes (i) &amp; (iii))</i>	Property investment
Goodrich Properties Limited	Hong Kong	HK\$2	100	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment
Head Wonder International Limited	British Virgin Islands	US\$10,000	63.20	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	76.62 <i>(Notes (i) &amp; (iii))</i>	Investment holding
Kiuson Development (Shanghai) Ltd. <sup>#</sup> <i>(Note (v))</i>	PRC	US\$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	64.06	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	64.06	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	64.06	Provision of management services

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE AND GROUP INFORMATION (continued)

#### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company %	Principal activities
Linkful Properties Company Limited	Hong Kong/PRC	HK\$2	64.06	Investment holding and property investment
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	64.06	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding
Mark Rich Limited	Hong Kong	HK\$10,000	62.53 (Note (iv))	Property investment
Maxlord Limited	Hong Kong	HK\$10,000	100	Property investment
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. <sup>#</sup> (Note (v))	PRC	US\$200,000	100	Provision of property management and administration services
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Properties Limited	Hong Kong/PRC	HK\$9,000	100	Investment holding and property investment
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE AND GROUP INFORMATION *(continued)*

#### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company %	Principal activities
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
New Luck Management Limited	Hong Kong	HK\$1	62.53 <i>(Note (iv))</i>	Property investment
Nichiyu Consultants Limited	British Virgin Islands	US\$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK\$27,000,000	64.06	Investment holding
Power Earning Limited	Hong Kong	HK\$1	64.06	Property investment
Prince Properties Limited	Hong Kong	HK\$10,000	100	Investment holding
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US\$100	62.53 <i>(Note (iv))</i>	Investment holding
Richwell Properties Limited	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000	100	Property investment
Rich Century Development Limited	Hong Kong	HK\$1	64.06	Property investment
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	100	Investment holding
Snowdon Worldwide Limited	British Virgin Islands	US\$1	64.06	Investment holding
Tellink Development Limited	Hong Kong	HK\$100	100	Property investment
Triple Luck Investments Limited	British Virgin Islands	US\$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/Hong Kong	US\$1	100	Property investment



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE AND GROUP INFORMATION (continued)

#### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company %	Principal activities
Win Channel Enterprises Limited	Hong Kong	HK\$2	100	Property investment
Windsor Property Management (Shanghai) Co., Ltd. <sup>#</sup> (Note (v))	PRC	US\$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. <sup>#</sup> (Note (v))	PRC	US\$140,000	100	Provision of property management services
Winner Strong Limited	Hong Kong	HK\$100	100	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100	Property investment
Wise Success Limited	Hong Kong	HK\$100	100	Property investment
珠海市世紀西海房地產投資有限公司 (Note (vi))	PRC	RMB10,000,000	100	Property development
珠海萬事昌酒店有限公司 (Note (v))	PRC	US\$20,000,000	100	Property development
珠海市港豐商務服務有限公司 (Note (v))	PRC	HK\$120,000	100	Provision of property consultant services

<sup>#</sup> The English names of these companies referred to in these financial statements represent management's best effort to translate the Chinese names of those companies, as no English names have been registered.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 1. CORPORATE AND GROUP INFORMATION *(continued)*

#### Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

Notes:

- (i) These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and accordingly are accounted for as subsidiaries by virtue of the Company's control over the entities.
- (ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 16.04% by virtue of the Group's 64.06% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.
- (iii) The Group holds a direct equity interest of 67% in these subsidiaries, and an indirect equity interest of 9.62% by virtue of the Group's 64.06% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.
- (iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 11.53% by virtue of the Group's 64.06% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.
- (v) These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.
- (vi) This subsidiary is a limited liability company established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.1 BASIS OF PREPARATION *(continued)*

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28

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.

#### **HKFRS 9 *Financial Instruments* ("HKFRS 9")**

In the current year, the Group has applied HKFRS 9 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 and (2) expected credit losses ("ECL") for financial assets.

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 earnings 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* ("HKAS 39").

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 2.4.

#### *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Trade receivables have been assessed individually.

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

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

#### **HKFRS 15 Revenue from Contracts with Customers (“HKFRS 15”)**

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 earnings (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 the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Note 2.4.

The application on HKFRS 15 has no material impact on the timing and amounts of revenue recognised in current year and retained earnings at 1 January 2018.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Definition of a Business <sup>3</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
HKFRS 16	<i>Leases</i> <sup>1</sup>
HKFRS 17	<i>Insurance contract</i> <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning for the first annual period beginning on or after 1 January 2020

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>5</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

#### HKFRS 16 *Leases* (“HKFRS 16”)

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.

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 value 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 other. For the classification of cash flows, the Group currently presents operating lease payments 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 financial cash flows by the Group.

Other than certain requirements which are 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 approximately HK\$60,000. All of these commitments relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. The accounting for lessors will not significantly change. Hence, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the results and the net financial position of the Group.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Fair value measurement**

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and properties held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Related parties *(continued)*

- (b) the party is an entity where any of the following conditions applies: *(continued)*
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

#### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %
Vessels	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Properties under development**

Properties in the course of development are classified as non-current assets and are stated at cost less any impairment losses, and are not depreciated. Cost comprises acquisition cost relating to the leasehold interests in lands and direct development costs attributable to such properties. Interests in lands are amortised over the expected useful life and are included as part of cost of properties under development.

**Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

**Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

**Leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

##### *Initial recognition and measurement*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### *Financial assets at fair value through other comprehensive income (debt instruments)*

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

##### *Financial assets at fair value through other comprehensive income (debt instruments) (continued)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

##### *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

**NOTES TO FINANCIAL STATEMENTS**

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)**  
*(continued)**Financial assets at fair value through profit or loss (continued)*

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)**  
*(continued)*

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

**NOTES TO FINANCIAL STATEMENTS**

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)**  
*(continued)**Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as OCI in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as revenue in accordance with the policies set out for “Revenue recognition” (applicable before 1 January 2018) below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)**

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)** *(continued)**General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

**Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)***

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### *Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from OCI and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in OCI.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)***

##### *Available-for-sale financial investments (continued)*

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

#### **Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, an amount due to a director, derivative financial instruments and interest-bearing bank and other borrowings.

##### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(continued)***

*Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

*Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(continued)***

##### *Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)*

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

#### **Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

#### **Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

#### **Derivative financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)**

##### *Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives are taken directly to profit or loss.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Income tax** *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Revenue recognition (applicable from 1 January 2018)**

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (applicable from 1 January 2018) (continued)

##### *Revenue from contracts with customers (continued)*

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

##### *Provision of management services*

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

##### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Government grants, subsidies from the relevant People's Republic of China (the "PRC") government authorities, in the form of return of income tax, value added tax not associating with the purchase of property, plant and equipment and various taxes, as an incentive for the investments in various cities in the PRC are recognised in the statement of profit or loss when relevant approval has been obtained.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (b) dividend income, when the shareholders' right to receive payment has been established;
- (c) government grants, subsidies from the relevant PRC government authorities, in the form of return of income tax, value added tax not associating with the purchase of property, plant and equipment and various taxes, as an incentive for the investments in various cities in the PRC are recognised in the statement of profit or loss when relevant approval has been obtained;
- (d) rental income from property letting, in the period in which the properties are let and on a time proportion basis over the lease terms;
- (e) income from serviced apartment and property management, when the services are rendered;
- (f) income from the sale of debt investments, on the trade date;
- (g) realised fair value gains or losses on securities trading on a trade date basis, whilst unrealised fair value gains or losses, on change in fair value at the end of the reporting period; and
- (h) fair value gains or losses on derivative financial instruments, on change in fair value at the end of the reporting period.

#### Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

#### Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grant is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Other employee benefits***Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The only obligation of the Group with respect to the central pension scheme is to pay the ongoing contribution under the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

*Employment Ordinance long service payments*

Certain of the Group’s employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Dividends**

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

**Foreign currencies**

These financial statements are presented in Hong Kong dollar, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollar at the weighted average exchange rates for the year.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Foreign currencies *(continued)*

The resulting exchange differences are recognised in OCI and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### **Judgements** *(continued)*

##### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, management of the Group has reviewed the Group's investment properties and concluded that the certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, in determining the Group's deferred taxation on these investment properties, the directors have determined that the presumption that these investment properties measured using the fair value model are recovered through sale is rebutted.

Accordingly, the Group recognises deferred tax in respect of the changes in fair value of the investment properties based on management's best estimate assuming future tax consequences through usage of such properties of rental purpose, rather than through sale. The final tax outcome could be different from the deferred tax liabilities recognised in the consolidated financial statements should the investment properties be subsequently disposed by the Group, rather than all of the economic benefits embodied in the investment properties are consumed substantially by leasing over time. In the event the investment properties are being disposed of, the Group may be liable to higher tax upon disposal considering the impact of corporate income tax and land appreciation tax.

#### **Estimation uncertainty**

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

##### *Fair values of financial instruments*

Financial instruments such as equity instruments are carried at the statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### **Estimation uncertainty** *(continued)*

##### *Estimation of fair value of investment properties*

As described in Note 15, the investment properties were revalued at the end of the reporting period based on the appraised market value provided by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

##### *Income taxes and deferred taxation*

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be recognised. The outcome of their actual recognition may be different.

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three (2017: three) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the provision of serviced apartment and property management services segment; and
- (c) the trading and investment segment includes the trading of securities and investment income from securities investment and investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that unallocated corporate expenses, interest income on bank deposit, fair value gains/losses on investment properties, finance costs, and other gains are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to a director, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities are managed as these liabilities on a group basis.

There are no sales or other transactions between the operating segments during the year (2017: Nil).



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2018 and 2017

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Segment revenue (Note 5)</b>								
Revenue from external customers	<u>187,378</u>	<u>181,695</u>	<u>35,394</u>	<u>33,212</u>	<u>(166,992)</u>	<u>388,686</u>	<u>55,780</u>	<u>603,593</u>
<b>Segment results</b>	<u>143,476</u>	<u>156,481</u>	<u>5,139</u>	<u>(15,458)</u>	<u>(168,899)</u>	<u>385,952</u>	<u>(20,284)</u>	<u>526,975</u>
<i>Reconciliation:</i>								
Unallocated corporate expenses							(29,856)	(10,021)
Interest income on bank deposits							1,681	887
Fair value gains on investment properties, net	1,047,423	211,363	-	-	-	-	1,047,423	211,363
Gain on disposal of investment properties	9,260	-	-	-	-	-	9,260	-
Other gains							12,516	15,030
Gain on derecognition of properties under development	-	126,999	-	-	-	-	-	126,999
Finance costs							(42,551)	(34,393)
Profit before tax							<u>978,189</u>	<u>836,840</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2018 and 2017

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	10,547,446	9,827,512	55,937	64,942	1,342,083	1,583,672	11,945,466	11,476,126
Unallocated assets							256,839	162,401
Total assets							<u>12,202,305</u>	<u>11,638,527</u>
Segment liabilities	132,057	121,238	26,329	26,570	305	140	158,691	147,948
<i>Reconciliation:</i>								
Unallocated liabilities							3,363,645	3,402,093
Total liabilities							<u>3,522,336</u>	<u>3,550,041</u>

Years ended 31 December 2018 and 2017

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Unallocated		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other segment information:</b>										
Depreciation and amortisation	5,958	6,295	598	1,116	-	-	96	210	6,652	7,621
Fair value gains on investment properties, net	1,047,423	211,363	-	-	-	-	-	-	1,047,423	211,363
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	-	-	-	-	(222,625)	334,942	-	-	(222,625)	334,942
Capital expenditure*	<u>56,869</u>	<u>189,010</u>	<u>53</u>	<u>642</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>14</u>	<u>56,951</u>	<u>189,666</u>

\* Capital expenditure consists of additions to property, plant and equipment, and investment properties.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 4. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

(a)	Hong Kong		Mainland China		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>(97,125)</u>	<u>455,294</u>	<u>152,905</u>	<u>148,299</u>	<u>55,780</u>	<u>603,593</u>

The revenue information above is based on the locations of the customers. No single external customer accounted for 10% or more of the total revenue for the years ended 31 December 2018 and 2017.

(b)	Hong Kong		Mainland China		Total	
	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>3,646,594</u>	<u>3,304,649</u>	<u>6,365,882</u>	<u>5,926,424</u>	<u>10,012,476</u>	<u>9,231,073</u>

The non-current asset information above is based on the locations of assets and excludes financial instruments.

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK\$'000	HK\$'000
Rental income from property letting	187,378	181,695
Serviced apartment and property management	35,394	33,212
Fair value (losses)/gains on equity investments at fair value through profit or loss, net	(222,625)	334,942
Dividend income from listed investments	55,633	53,744
	<u>55,780</u>	<u>603,593</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 5. REVENUE, OTHER INCOME AND GAINS (continued)

#### Revenue from contracts with customers

##### (i) Disaggregation of revenue from contracts with customers

	2018 HK\$'000
<b>Revenue recognised under HKFRS 15</b>	
Serviced apartment and property management	35,394
<b>Revenue recognised under other accounting standards</b>	
Rental income from property letting	187,378
Fair value losses on equity investments at fair value through profit or loss, net	(222,625)
Dividend income from listed investments	55,633
	<u>20,386</u>
<b>Total</b>	<u><u>55,780</u></u>

##### (ii) Performance obligations for contracts with customers

#### Provision of serviced apartment and property management services

Revenue from provision of serviced apartment and property management services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these serviced apartment and property management services based on monthly statement issued by the using output method.

	2018 HK\$'000	2017 HK\$'000
<b>Other income and gains</b>		
Interest income on bank deposits	1,681	887
(Loss)/gain on disposal of items of property, plant and equipment, net	(951)	835
Others	13,467	14,195
	<u>14,197</u>	<u>15,917</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of services provided	47,815	51,002
Depreciation	6,644	7,613
Amortisation of prepaid land lease payments	8	8
Minimum lease payments under operating leases for land and buildings	109	196
Auditors' remuneration – audit services	1,050	680
Gain on disposal of investment properties	9,260	–
Loss/(gain) on disposal of property, plant and equipment	951	(835)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	26,920	30,524
Foreign exchange differences, net	<u>7,136</u>	<u>(14,243)</u>
Employee benefits expense (including directors' and chief executive's remuneration ( <i>Note 8</i> )):		
Salaries, wages and other benefits	22,808	22,243
Pension scheme contributions (defined contribution scheme) ( <i>Note</i> )	<u>3,863</u>	<u>3,876</u>
Total staff costs	<u>26,671</u>	<u>26,119</u>

*Note:*

At 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2017: Nil).

### 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	<u>42,551</u>	<u>34,393</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of directors' and chief executive's remuneration for the year are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fees	<u>504</u>	<u>504</u>
Other emoluments:		
Salaries, allowances and benefits in kind	5,125	4,920
Pension scheme contributions	<u>36</u>	<u>36</u>
	<u>5,161</u>	<u>4,956</u>
	<u><u>5,665</u></u>	<u><u>5,460</u></u>

#### (a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Mr. Lee Siu Man, Ervin	168	168
Mr. Wong Yim Sum	168	168
Mr. Tsui Ka Wah	<u>168</u>	<u>168</u>
	<u><u>504</u></u>	<u><u>504</u></u>

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION** *(continued)*

(b) Executive directors and chief executive

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<b>2018</b>				
<b>Executive directors:</b>				
Mr. Lau Chi Yung, Kenneth	–	2,875	18	2,893
Mr. Lau Michael Kei Chi (Chief executive)	–	2,250	18	2,268
	–	5,125	36	5,161
<b>2017</b>				
<b>Executive directors:</b>				
Mr. Lau Chi Yung, Kenneth	–	2,760	18	2,778
Mr. Lau Michael Kei Chi (Chief executive)	–	2,160	18	2,178
	–	4,920	36	4,956

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2017: two) directors and chief executive, details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	1,791	1,770
Pension scheme contributions	53	54
	<u>1,844</u>	<u>1,824</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

### 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	2018 HK\$'000	2017 HK\$'000
Current – Hong Kong		
Charge for the year	2,572	1,941
Overprovision in prior years	(223)	(56)
Current – Mainland China		
Charge for the year	11,530	13,480
Deferred tax ( <i>Note 26</i> )	<u>100,664</u>	<u>(4,420)</u>
Total tax charge for the year	<u>114,543</u>	<u>10,945</u>



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the applicable rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

#### 2018

	Hong Kong HK\$'000	Mainland China HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Profit/(loss) before tax	<u>154,028</u>	<u>824,174</u>	<u>(13)</u>	<u>978,189</u>
Tax at the applicable tax rate	25,414	206,043	(3)	231,454
Lower tax rate for specific provinces or enacted by local authority	(87)	(14,006)	–	(14,093)
Adjustments in respect of current tax of previous periods	(223)	–	–	(223)
Income not subject to tax	(64,753)	(180,508)	–	(245,261)
Expenses not deductible for tax	24,581	–	3	24,584
Tax losses not recognised	23,367	–	–	23,367
Tax losses utilised from previous periods	(808)	–	–	(808)
Effect of PRC land appreciation tax	–	95,492	–	95,492
Others	31	–	–	31
Tax charge at the Group's effective rate	<u>7,522</u>	<u>107,021</u>	<u>–</u>	<u>114,543</u>

#### 2017

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Profit before tax	<u>574,476</u>	<u>262,364</u>	<u>836,840</u>
Tax at the applicable tax rate	94,789	65,591	160,380
Lower tax rate for specific provinces or enacted by local authority	–	(13,853)	(13,853)
Adjustments in respect of current tax of previous periods	(56)	–	(56)
Income not subject to tax	(96,551)	(49,726)	(146,277)
Expenses not deductible for tax	3,711	11,468	15,179
Tax losses not recognised	4,290	–	4,290
Tax losses utilised from previous periods	(1,146)	–	(1,146)
Effect of PRC land appreciation tax	–	(7,564)	(7,564)
Others	(8)	–	(8)
Tax charge at the Group's effective rate	<u>5,029</u>	<u>5,916</u>	<u>10,945</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 11. DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend – HK0.6 cents (2017: HK0.6 cents) per ordinary share	25,082	25,082
Proposed final dividend – HK0.75 cents (2017: HK0.75 cents) per ordinary share	<u>31,353</u>	<u>31,353</u>
	<u><u>56,435</u></u>	<u><u>56,435</u></u>

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 29 May 2019, dividend warrants will be posted on or about 26 June 2019 to shareholders whose names appear on the register of members of the Company on 4 June 2019.

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$732,554,000 (2017: HK\$651,494,000) and the weighted average number of ordinary shares of 4,180,371,092 (2017: 4,180,371,092) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 13. NON-WHOLLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

The following table lists the information related to Rich Returns Limited, the subsidiary of the Group which has material non-controlling interests.

	2018 %	2017 %
Percentage of equity interest held by non-controlling interests	<u>37.47</u>	<u>37.47</u>
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year allocated to non-controlling interests	<u>94,220</u>	<u>93,001</u>
Accumulated balances of non-controlling interests at the reporting dates	<u>1,299,352</u>	<u>1,254,697</u>

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	81,872	84,600
Total expenses	(35,656)	(32,146)
Profit for the year	251,455	248,202
Total comprehensive income for the year	<u>119,176</u>	<u>435,402</u>
Current assets	843,445	1,002,698
Non-current assets	4,261,796	4,104,516
Current liabilities	(914,077)	(1,036,908)
Non-current liabilities	<u>(723,450)</u>	<u>(721,769)</u>
Net cash flows from operating activities	307,372	130,045
Net cash flows from investing activities	–	–
Net cash flows used in financing activities	(255,656)	(89,530)
Effect of foreign exchange rate changes, net	<u>4,081</u>	<u>(9,829)</u>
Net increase in cash and cash equivalents	<u>55,797</u>	<u>30,686</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 14. PROPERTY, PLANT AND EQUIPMENT

	Properties under development <i>HKS'000</i> <i>(Note)</i>	Land and buildings <i>HKS'000</i>	Leasehold improvements <i>HKS'000</i>	Furniture, fixtures and office equipment <i>HKS'000</i>	Motor vehicles <i>HKS'000</i>	Vessels <i>HKS'000</i>	Total <i>HKS'000</i>
<b>31 December 2018</b>							
At 31 December 2017 and 1 January 2018:							
Cost	236,298	49,844	2,581	21,873	27,563	5,289	343,448
Accumulated depreciation and impairment	(60,477)	(11,793)	(2,581)	(20,682)	(21,280)	(1,675)	(118,488)
Net carrying amount	<u>175,821</u>	<u>38,051</u>	<u>-</u>	<u>1,191</u>	<u>6,283</u>	<u>3,614</u>	<u>224,960</u>
At 1 January 2018, net of accumulated depreciation and impairment							
	175,821	38,051	-	1,191	6,283	3,614	224,960
Additions	-	-	-	113	1,828	-	1,941
Depreciation provided during the year	-	(2,455)	-	(996)	(2,135)	(1,058)	(6,644)
Disposals	-	-	-	-	(1,971)	-	(1,971)
Exchange realignment	(5,173)	-	-	(11)	(131)	-	(5,315)
At 31 December 2018, net of accumulated depreciation and impairment	<u>170,648</u>	<u>35,596</u>	<u>-</u>	<u>297</u>	<u>3,874</u>	<u>2,556</u>	<u>212,971</u>
At 31 December 2018:							
Cost	231,125	49,844	2,581	21,062	25,705	5,289	335,606
Accumulated depreciation and impairment	(60,477)	(14,248)	(2,581)	(20,765)	(21,831)	(2,733)	(122,635)
Net carrying amount	<u>170,648</u>	<u>35,596</u>	<u>-</u>	<u>297</u>	<u>3,874</u>	<u>2,556</u>	<u>212,971</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Properties under development HK\$'000 (Note)	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Vessels HK\$'000	Total HK\$'000
31 December 2017							
At 1 January 2017:							
Cost	333,718	49,844	2,581	22,080	26,285	5,289	439,797
Accumulated depreciation and impairment	(60,477)	(9,338)	(2,581)	(19,916)	(18,998)	(617)	(111,927)
Net carrying amount	<u>273,241</u>	<u>40,506</u>	<u>-</u>	<u>2,164</u>	<u>7,287</u>	<u>4,672</u>	<u>327,870</u>
At 1 January 2017, net of accumulated depreciation and impairment	273,241	40,506	-	2,164	7,287	4,672	327,870
Additions	-	-	-	92	1,959	-	2,051
Depreciation provided during the year	-	(2,455)	-	(1,079)	(3,021)	(1,058)	(7,613)
Disposals	-	-	-	(4)	(83)	-	(87)
Derecognised	(111,780)	-	-	-	-	-	(111,780)
Exchange realignment	14,360	-	-	18	141	-	14,519
At 31 December 2017, net of accumulated depreciation and impairment	<u>175,821</u>	<u>38,051</u>	<u>-</u>	<u>1,191</u>	<u>6,283</u>	<u>3,614</u>	<u>224,960</u>
At 31 December 2017:							
Cost	236,298	49,844	2,581	21,873	27,563	5,289	343,448
Accumulated depreciation and impairment	(60,477)	(11,793)	(2,581)	(20,682)	(21,280)	(1,675)	(118,488)
Net carrying amount	<u>175,821</u>	<u>38,051</u>	<u>-</u>	<u>1,191</u>	<u>6,283</u>	<u>3,614</u>	<u>224,960</u>

Note:

As at 31 December 2018, the Group holds a parcel of commercial use land located in Qianshan district, Zhuhai, the PRC with a carrying amount of approximately HK\$170,648,000 (2017: HK\$175,821,000), is now under relocation progress. In July 2015, a new relocation policy had changed the responsibility of relocation from the land department to the local district government. The Group supports the local district government on the relocation work.

#### Impairment loss

At the end of the reporting period, the Group tests whether the carrying values of properties under development have suffered any impairment in accordance with the accounting policy on impairment of non-financial assets (Note 2.4). The Group assessed the recoverable amounts of parcel of land classified as properties under development and there was no impairment for the years ended 31 December 2018 and 2017. The estimates of recoverable amounts were based on the assets' fair values less costs of disposal, determined by reference to a valuation performed by Ravia Global Appraisals Advisory Limited, the independent professional qualified valuer.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 15. INVESTMENT PROPERTIES

	<b>Completed</b> <i>HK\$'000</i>	<b>Under development</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Carrying amount at 1 January 2017	7,358,402	852,000	8,210,402
Acquisition of a subsidiary	55,000	–	55,000
Additions	177	132,438	132,615
Net gain from fair value adjustments	67,801	143,562	211,363
Exchange realignment	396,350	–	396,350
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2017 and 1 January 2018	<b>7,877,730</b>	<b>1,128,000</b>	<b>9,005,730</b>
Additions	–	55,010	55,010
Disposals	(34,200)	–	(34,200)
Net gain from fair value adjustments	734,433	312,990	1,047,423
Exchange realignment	(274,833)	–	(274,833)
	<hr/>	<hr/>	<hr/>
Carrying amount at 31 December 2018	<b><u>8,303,130</u></b>	<b><u>1,496,000</u></b>	<b><u>9,799,130</u></b>

The directors of the Company have determined that the investment properties consist of five classes of asset, i.e., car parking spaces, commercial properties, residential properties and industrial properties and investment properties under development, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties situated in Hong Kong and the PRC at 31 December 2018 had been arrived at based on a valuation carried out on that date by Ravia Global Appraisal Advisory Limited, the independent professional qualified valuer not connected to the Group.

The fair value of the Group's completed investment properties were revalued by Ravia Global Appraisal Advisory Limited on 31 December 2018. The valuation was determined using the direct comparison method by making reference to comparable market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties.

The fair value of the Group's investment properties under development were revalued on 31 December 2018 carried out by Ravia Global Appraisal Advisory Limited and were determined based on direct comparison method by making reference to comparable market observable transactions of similar properties (on the assumption that the property had already been completed at the valuation date) and adjusted to reflect the conditions and locations of subject properties.

The key input was the market price per square feet. The valuation takes into account the characteristics which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 15. INVESTMENT PROPERTIES (continued)

There has been no change from the valuation techniques used in prior year.

Management reviews the valuation performed by the independent valuer for financial reporting purposes on a yearly basis. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment properties equate the highest and best use.

Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in Note 32 to the consolidated financial statements.

At 31 December 2018, certain of the Group's investment properties with an aggregate carrying amount of approximately HK\$6,532,040,000 (2017: HK4,880,940,000) were pledged to secure general banking facilities granted to the Group (Note 24).

Further particulars of the Group's investment properties are included on page 127 to 132.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using			Total HK'000
	Quoted prices in active markets (Level 1) HK'000	Significant observable inputs (Level 2) HK'000	Significant unobservable inputs (Level 3) HK'000	
Recurring fair value measurement for:				
<b>2018</b>				
Car parking spaces	–	451,490	–	451,490
Commercial properties	–	915,900	–	915,900
Residential properties	–	6,394,190	–	6,394,190
Industrial properties	–	541,550	–	541,550
Investment properties under development	–	1,496,000	–	1,496,000
	–	<b>9,799,130</b>	–	<b>9,799,130</b>
<b>2017</b>				
Car parking spaces	–	453,400	–	453,400
Commercial properties	–	901,900	–	901,900
Residential properties	–	5,980,880	–	5,980,880
Industrial properties	–	541,550	–	541,550
Investment properties under development	–	1,128,000	–	1,128,000
	–	<b>9,005,730</b>	–	<b>9,005,730</b>

During the year ended 31 December 2018, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

## NOTES TO FINANCIAL STATEMENTS

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### 16. PREPAID LAND LEASE PAYMENTS

	2018 HK\$'000	2017 HK\$'000
Carrying amount at 1 January	383	391
Recognised during the year	(8)	(8)
	<u>375</u>	<u>383</u>
Carrying amount at 31 December	<u><u>375</u></u>	<u><u>383</u></u>

### 17. PROPERTIES HELD FOR SALE

The properties held for sale are situated in Hong Kong. The properties held for sale are stated at the lower of cost and net realisable value. At 31 December 2018, certain of the Group's properties held for sale with an aggregate carrying amount of approximately HK\$197,296,000 (2017: HK\$197,296,000) were pledged to secure general banking facilities granted to the Group (*Note 24*).

### 18. TRADE RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	3,702	15,739
Impairment	–	(5,782)
	<u>3,702</u>	<u>9,957</u>
	<u><u>3,702</u></u>	<u><u>9,957</u></u>

Trade receivables mainly consist of receivables from property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivables balances, except that the Group holds rental deposits from tenants for leasing of properties.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 month	2,355	1,776
1 to 2 months	387	505
2 to 3 months	259	220
Over 3 months	701	7,456
	<u>3,702</u>	<u>9,957</u>
	<u><u>3,702</u></u>	<u><u>9,957</u></u>



**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**18. TRADE RECEIVABLES** (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2017 HK\$'000
At beginning of year and at end of year	5,782

*Impairment under HKFRS 9 for the year ended 31 December 2018*

For trade receivables from property management services and rental receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Impairment losses in respect of trade receivables are recorded using an allowance account based on expected credit losses. Given the Group has not experienced any significant credit losses in the past and holds sufficient rental deposits from tenants to cover the potential exposure to credit risk, the allowance for expected credit losses is minimal and no ECL allowance in respect of these balances is made as at 31 December 2018. Details of impairment assessment of rental and other receivables for the year ended 31 December 2018 are set out in Note 37.

*Impairment under HKAS 39 for the year ended 31 December 2017*

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK\$'000
Neither past due nor impaired	1,776
Less than 1 month past due	505
1 to 3 months past due	220
Over 3 months past due	7,456
	9,957

Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## NOTES TO FINANCIAL STATEMENTS

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### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Prepayments	4,186	2,395
Deposits	4,362	5,228
Other receivables	<u>229,129</u>	<u>241,437</u>
	<u><u>237,677</u></u>	<u><u>249,060</u></u>

As at 31 December 2018, the allowance for credit loss represents a 12-month ECL recognised for other receivables under general approach. Details of impairment assessment of other receivables for the year ended 31 December 2018 are set out in Note 37.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

### 20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Listed equity investments, at fair value	<u>1,240,329</u>	<u>1,481,034</u>

The above equity investments at 31 December 2018 were classified as equity investments at fair value through profit or loss as they were held for trading.

At 31 December 2018, the Group's certain listed equity investments with an aggregate carrying amount of approximately HK\$1,240,233,000 (2017: HK\$1,480,532,000) were pledged to secure the Group's short term loans, as further detailed in Note 24 to the consolidated financial statements.

### 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cash and bank balances	75,700	89,982
Time deposits with original of less than three months	<u>349,900</u>	<u>294,900</u>
	425,600	384,882
Less: Pledged deposits	<u>—</u>	<u>(570)</u>
Cash and cash equivalents	<u><u>425,600</u></u>	<u><u>384,312</u></u>

As at 31 December 2017, the deposits of approximately HK\$570,000 were pledged as security for banking facilities granted.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$53,616,000 (2017: HK\$63,572,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

### 22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Within 1 month	1,816	1,133
1 to 2 months	–	25
2 to 3 months	–	–
Over 3 months	42	87
	<u>1,858</u>	<u>1,245</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

### 23. OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing and repayable on demand.

Included in the Group’s other payables and accruals at 31 December 2018 was accrued relocation cost of approximately HK\$22,774,000 (2017: HK\$23,921,000) in respect of properties under development.

Included in the Group’s other payables and accruals at 31 December 2018 was rental and property management fee receipt in advance of approximately HK\$7,779,000 (2017: HK\$10,996,000).

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate(%)	Maturity	HK\$'000
<b>Current liabilities</b>						
Secured bank loans denominated in Hong Kong dollar	HIBOR plus a range of 0.72 to 2	2019-2021 or on demand	772,453	HIBOR plus a range of 0.7 to 2	2018-2021 or on demand	1,264,613
Secured short term loans denominated in Euro	0.70	2019	1,289	0.95	2018	7,370
Secured short term loans denominated in Hong Kong dollar	3.22	2019	780,100	1.75	2018	760,134
			<u>1,553,842</u>			<u>2,032,117</u>
<b>Non-current liabilities</b>						
Secured bank loan denominated in Hong Kong dollar	HIBOR plus 0.95	2020-2021	385,000			–
			<u>1,938,842</u>			<u>2,032,117</u>

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on-demand clause are as follows:

	2018 HK\$'000	2017 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	571,128	933,910
In the second year	214,553	128,802
In the third to fifth years, inclusive	371,772	201,901
	<u>1,157,453</u>	<u>1,264,613</u>
Other borrowings repayable within one year	781,389	767,504
	<u>1,938,842</u>	<u>2,032,117</u>

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**24. INTEREST-BEARING BANK AND OTHER BORROWINGS** *(continued)*

The Group's bank loans are secured by:

- (i) mortgages over the Group's certain investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value at the end of the reporting period of approximately HK\$6,532,040,000 (2017: HK\$4,880,940,000);
- (ii) mortgages over the Group's certain properties held for sale situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK\$197,296,000 (2017: HK\$197,296,000);
- (iii) personal guarantees given by certain directors of the Company and its subsidiaries; and
- (iv) the Company has guarantee certain of the Group's bank loans up to HK\$1,885,850,000 (2017: HK\$1,238,850,000) as at the end of the reporting period.

At 31 December 2018, the Group's short term loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying value of approximately HK\$1,240,233,000 (2017: HK\$1,481,102,000).

**25. AMOUNT DUE TO A DIRECTOR**

The amount due to a director is unsecured, interest-free and is not repayable within one year.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2018	20,525	1,172,146	34,046	1,226,717
Deferred tax charged to the statement of profit or loss during the year ( <i>Note 10</i> )	5,172	95,492	–	100,664
Exchange realignment	–	(56,191)	–	(56,191)
At 31 December 2018	<u>25,697</u>	<u>1,211,447</u>	<u>34,046</u>	<u>1,271,190</u>
At 1 January 2017	17,381	1,098,269	34,046	1,149,696
Deferred tax charged to the statement of profit or loss during the year ( <i>Note 10</i> )	3,144	(7,564)	–	(4,420)
Exchange realignment	–	81,441	–	81,441
At 31 December 2017	<u>20,525</u>	<u>1,172,146</u>	<u>34,046</u>	<u>1,226,717</u>

The Group has tax losses arising in Hong Kong of approximately HK\$348,919,000 (2017: HK\$239,124,000), subject to agreement by the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, there was no significant unrecognised deferred tax liability (2017: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## NOTES TO FINANCIAL STATEMENTS

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### 27. SHARE CAPITAL

#### Shares

	Number of shares		Value	
	2018	2017	2018 HK\$'000	2017 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	<u>50,000,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>4,180,371,092</u>	<u>4,180,371,092</u>	<u>41,804</u>	<u>41,804</u>

#### Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in Note 28 to the consolidated financial statements.

### 28. SHARE OPTION SCHEMES

The Group's share option scheme (the "2013 Scheme") was adopted pursuant to a resolution passed on 30 May 2013 for the primary purpose of providing incentives to eligible participants. As the previous share option scheme adopted on 27 June 2003 (the "2003 Scheme") would expire on 27 June 2013, during the year ended 31 December 2013. The 2003 Scheme was terminated and the 2013 Scheme was adopted by the Company on 30 May 2013. Similar to the 2003 Scheme, the primary purpose of the 2013 Scheme is to provide incentives to eligible participants.

#### The 2013 Scheme

The Company operates the 2013 Scheme for the purpose of, among others, is to recognise and motivate the contribution of eligible participants to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Eligible participants of the 2013 Scheme include any (full-time or part-time) employee, including, without limitation, any executive and non-executive director or proposed executive and non-executive director of the Group, and any adviser, consultant, agent, contractor, client, customer or supplier or any member of the Group. The 2013 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 30 May 2013.

The total number of securities available for issue under the 2013 Scheme is 418,037,109, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2013 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2013 Scheme with in any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**28. SHARE OPTION SCHEMES** *(continued)***The 2013 Scheme** *(continued)*

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of the offer upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2013 Scheme, if earlier.

The exercise price of the share options is determined by the board of directors, but may not be less than the higher of (i) the nominal of the shares; (ii) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share option; and (iii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote in shareholders' meetings.

No share options under the 2013 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2013 Scheme.

**29. RESERVES**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The exchange fluctuation reserve of the Group comprises exchange differences arising from the translation of the financial statements of foreign operations.



**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

(a) Reconciliation of profit before tax to net cash inflows from operating activities:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	978,189	836,790
Adjustments for:		
Finance costs	42,551	34,393
Changes in fair value of investment properties	(1,047,423)	(211,363)
Interest income	(1,681)	(887)
Dividend income from listed investments	(55,633)	(53,744)
Depreciation	6,644	7,613
Recognition of prepaid land lease payments	8	8
Gain on derecognition of properties under development	–	(126,999)
Fair value losses/(gains) on equity investments at fair value through profit or loss, net	222,625	(334,942)
Gain on disposal of investment properties	(9,260)	–
Loss/(gain) on disposal of items of property, plant and equipment	951	(836)
PRC indirect taxes	25,738	26,142
	<u>162,709</u>	<u>176,175</u>
Decrease in trade receivables	6,255	3,768
Decrease/(increase) in prepayments, deposits and other receivables	217	(2,154)
Decrease in equity investments at fair value through profit or loss	18,080	103,806
Increase/(decrease) in trade payables	613	(1,649)
Increase in other payables and accruals	16,751	5,496
(Decrease)/increase in deposits received	(6,345)	6,112
	<u>198,280</u>	<u>291,554</u>
Cash generated from operations	198,280	291,554
Dividend received from listed investments	55,633	53,744
Hong Kong profits tax paid	(1,065)	(2,392)
PRC taxes paid	(36,470)	(38,026)
	<u>216,378</u>	<u>304,880</u>
Net cash flows generated from operating activities	<u><u>216,378</u></u>	<u><u>304,880</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financial activities:

	Interest- bearing bank and other borrowings <i>HK\$'000</i>	Amount due to a director <i>HK\$'000</i>	Dividend payables <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	2,032,117	15,416	45	2,047,578
Cash inflow (outflow):				
New interest-bearing borrowings	400,000	–	–	400,000
Repayment of interest-bearing borrowings	(507,160)	–	–	(507,160)
Net change in short-term revolving loans	13,885	–	–	13,885
Advance from a director	–	38,344	–	38,344
Repayment to a director	–	(27,386)	–	(27,386)
Interest paid	(42,258)	–	–	(42,258)
Dividend paid	–	–	(56,431)	(56,431)
Non-cash transactions:				
Dividends	–	–	56,435	56,435
Interest expenses	42,551	–	–	42,551
Less: accrued interest	(293)	–	–	(293)
Exchange realignment	–	(30)	–	(30)
At 31 December 2018	<u>1,938,842</u>	<u>26,344</u>	<u>49</u>	<u>1,965,235</u>
At 1 January 2017	2,052,054	1,772	–	2,053,826
Cash inflow (outflow):				
New interest-bearing borrowings	210,000	–	–	210,000
Repayment of interest-bearing borrowings	(202,081)	–	–	(202,081)
Net change in short-term revolving loans	(27,856)	–	–	(27,856)
Advance from a director	–	76,325	–	76,325
Repayment to a director	–	(62,681)	–	(62,681)
Interest paid	(33,946)	–	–	(33,946)
Dividend paid	–	–	(56,390)	(56,390)
Non-cash transactions:				
Dividends	–	–	56,435	56,435
Interest expenses	34,393	–	–	34,393
Less: accrued interest	(447)	–	–	(447)
At 31 December 2017	<u>2,032,117</u>	<u>15,416</u>	<u>45</u>	<u>2,047,578</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 31. CORPORATE GUARANTEES

At 31 December 2018, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$1,885,850,000 (2017: HK\$1,238,850,000), of which approximately HK\$1,125,429,000 (2017: HK\$1,154,076,000) was utilised.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

### 32. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties and properties held for sale (Notes 15 and 17 to the consolidated financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of these leases generally require the tenants to pay security deposits.

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	145,967	125,917
In the second to fifth years, inclusive	<u>70,270</u>	<u>48,575</u>
	<u><u>216,237</u></u>	<u><u>174,492</u></u>

#### (b) As lessee

The Group leases its office premise under operating lease arrangements. Lease for such property is negotiated for term of one year.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	<u>60</u>	<u>161</u>

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**33. CAPITAL COMMITMENTS**

In addition to the operating lease commitment details in Note 32(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Contracted, but not provided for investment properties	<u>42,515</u>	<u>103,925</u>

**34. RELATED PARTY TRANSACTIONS**

Compensation of key management personnel of the Group:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Short term employee benefits	5,125	4,920
Post-employment benefits	<u>36</u>	<u>36</u>
Total compensation paid to key management personnel	<u>5,161</u>	<u>4,956</u>

Further details of directors' and chief executive's emoluments are included in Note 8 to the consolidated financial statements.

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**35. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

**2018**

**Financial assets**

	<b>Financial assets at fair value through profit or loss – held for trading HK\$'000</b>	<b>Financial assets at amortised cost HK\$'000</b>	<b>Total HK\$'000</b>
Trade receivables	–	3,702	3,702
Financial assets included in deposits and other receivables	–	235,807	235,807
Equity investments at fair value through profit or loss	1,240,329	–	1,240,329
Cash and cash equivalents	–	425,600	425,600
	<u>1,240,329</u>	<u>665,109</u>	<u>1,905,438</u>

**Financial liabilities**

	<b>Financial liabilities at amortised cost HK\$'000</b>
Trade payables	1,858
Financial liabilities included in other payables and accruals	105,430
Deposits received	56,184
Interest-bearing bank and other borrowings	1,938,842
Amount due to a director	26,344
	<u>2,128,658</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

2017

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Trade receivables	–	9,957	9,957
Financial assets included in deposits and other receivables	–	246,665	246,665
Equity investments at fair value through profit or loss	1,481,034	–	1,481,034
Pledged deposits	–	570	570
Cash and cash equivalents	–	384,312	384,312
	<u>1,481,034</u>	<u>641,504</u>	<u>2,122,538</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	1,245
Financial liabilities included in other payables and accruals	83,017
Deposits received	62,529
Interest-bearing bank and other borrowings	2,032,117
Amount due to a director	15,416
	<u>2,194,324</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, the pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, other deposits, and interest-bearing bank and other borrowings are not materially different from their carrying amounts because of the immediate or the short term maturities of these instruments.

As detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values:

	Fair value as at 2018 <i>HK'000</i>	2017 <i>HK'000</i>	Fair value hierarchy	Valuations Technique(s) and key inputs
<b>Assets</b>				
Equity investment at fair value through profit or loss	1,240,329	1,481,034	Level 1	Quoted bid prices in an active market

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

	Fair value measurement using			Total <i>HK\$'000</i>
	Quoted price in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
<b>As at 31 December 2018</b>				
Equity investments at fair value through profit or loss	<u>1,240,329</u>	<u>–</u>	<u>–</u>	<u>1,240,329</u>
<b>As at 31 December 2017</b>				
Equity investments at fair value through profit or loss	<u>1,481,034</u>	<u>–</u>	<u>–</u>	<u>1,481,034</u>

The Group did not have any financial liabilities measured at fair value at 31 December 2018 and 2017.

During the year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, equity investments at fair value through profit or loss, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
<b>2018</b>			
Hong Kong dollar	50	(520)	–
Hong Kong dollar	(50)	520	–
<b>2017</b>			
Hong Kong dollar	50	(258)	–
Hong Kong dollar	(50)	258	–

\* Excluding retained profits

#### Foreign currency risk

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments and certain cash and cash equivalents in currencies other than the functional currency of Hong Kong dollar.



## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB and United States dollar (“USD”) exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity.

	Increase/ (decrease) in RMB/USD rate %	Increase/ (decrease) in profit before tax HK\$’000	Increase/ (decrease) in equity* HK\$’000
<b>2018</b>			
If Hong Kong dollar weakens against RMB	(5)	2,680	–
If Hong Kong dollar strengthens against RMB	5	(2,680)	–
If Hong Kong dollar weakens against USD	(5)	629	–
If Hong Kong dollar strengthens against USD	5	(629)	–
<b>2017</b>			
If Hong Kong dollar weakens against RMB	(5)	3,178	–
If Hong Kong dollar strengthens against RMB	5	(3,178)	–
If Hong Kong dollar weakens against USD	(5)	542	–
If Hong Kong dollar strengthens against USD	5	(542)	–

\* Excluding retained profits

#### Credit risk

As at 31 December 2018 and 2017, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the Group holds rental deposits from tenants for leasing of properties.

#### *Trade receivables from property management services and rental receivables*

In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants. Other monitoring procedures are in place 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 trade balances from property management services and rental receivables individually or based on provision matrix.

Allowance for doubtful debts with an aggregate balance of Nil (2017: HK\$5,782,000) represents an individually impaired rental receivable as the directors of the Company considered the outstanding balances from the rental receivable were uncollectible.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

##### Other receivables

No allowance for impairment was made for other receivables since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

##### Short-term bank deposits/fixed bank deposits/bank balances

The credit risk on short-term bank deposit, fixed bank deposits and bank balances are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no other significant concentration of credit risk.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Group definition of category	Basis for recognition of ECL
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables from property management services and rental receivables. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. On that basis, the Group assessed that there is no loss allowance recognised in accordance with HKFRS 9 at 31 December 2018.

For the purpose of impairment assessment for other receivables, the management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records, collateral values as well as the loss upon default in each case and are adjusted with forward-looking information.

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk (continued)

The following table show reconciliation of loss allowances that has been recognised for trade receivables:

	Lifetime ECL HK\$'000
At 31 December 2017 under HKAS 39	5,782
Adjustment upon application of HKFRS 9	—
At 1 January 2018 under HKFRS 9	5,782
Write-off	(5,782)
<b>At 31 December 2018</b>	<b>—</b>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

#### Liquidity risk

In the management of its 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 monitors the utilisation of interest-bearing bank and other borrowings and ensures compliance with relevant covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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.

	2018				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	1,995,220	—	—	—	1,995,220
Trade payables	1,858	—	—	—	1,858
Other payables and accruals	105,430	—	—	—	105,430
Deposits received	56,184	—	—	—	56,184
Amount due to a director	—	—	26,344	—	26,344
	<u>2,158,692</u>	<u>—</u>	<u>26,344</u>	<u>—</u>	<u>2,185,036</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Liquidity risk (continued)

	2017				
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Interest-bearing bank and other borrowings	2,066,828	–	–	–	2,066,828
Trade payables	1,245	–	–	–	1,245
Other payables and accruals	83,017	–	–	–	83,017
Deposits received	62,529	–	–	–	62,529
Amount due to a director	–	–	15,416	–	15,416
	<u>2,213,619</u>	<u>–</u>	<u>15,416</u>	<u>–</u>	<u>2,229,035</u>

Each of the loan agreements contain a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirety or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering the financial position of the Group at the date of approval of these financial statements, the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the contractual undiscounted payment of interest-bearing bank loans and other borrowings at the end of the reporting period will be as follows:

	2018				
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Interest-bearing bank and other borrowings	<u>967,843</u>	<u>413,165</u>	<u>614,212</u>	<u>–</u>	<u>1,995,220</u>

  

	2017				
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Interest-bearing bank and other borrowings	<u>1,277,759</u>	<u>445,399</u>	<u>343,670</u>	<u>–</u>	<u>2,066,828</u>

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss at 31 December 2018. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2018	High/low 2018	31 December 2017	High/low 2017
Hong Kong – Hang Seng Index	25,845	33,154/ 24,585	29,919	30,004/ 22,135

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments <i>HK\$'000</i>	Increase/ (decrease) in profit before tax <i>HK\$'000</i>	Increase/ (decrease) in equity* <i>HK\$'000</i>
<b>2018</b>			
Investments listed in Hong Kong and overseas – Held for trading	1,240,329	124,033/ (124,033)	– –
<b>2017</b>			
Investments listed in Hong Kong and overseas – Held for trading	1,481,034	148,103/ (148,103)	– –

\* Excluding retained profits

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank and other borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest-bearing bank and other borrowings	<u><u>1,938,842</u></u>	<u><u>2,032,117</u></u>
Equity attributable to owners of the Company	<u><u>7,000,832</u></u>	<u><u>6,479,129</u></u>
Debt-to-equity ratio	<u><u>27.69%</u></u>	<u><u>31.36%</u></u>

**NOTES TO FINANCIAL STATEMENTS**

31 December 2018

**38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	<u>656,622</u>	<u>656,622</u>
<b>CURRENT ASSETS</b>		
Amounts due from subsidiaries	620,031	557,231
Prepayments, deposits and other receivables	640	632
Cash and cash equivalents	<u>167</u>	<u>155</u>
Total current assets	<u>620,838</u>	<u>558,018</u>
<b>TOTAL ASSETS</b>	<u>1,277,460</u>	<u>1,214,640</u>
<b>CURRENT LIABILITIES</b>		
Amounts due to subsidiaries	187,227	130,806
Other payables and accruals	<u>57</u>	<u>54</u>
Total current liabilities	<u>187,284</u>	<u>130,860</u>
<b>NET CURRENT ASSETS</b>	<u>433,554</u>	<u>427,158</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><u>1,090,176</u></u>	<u><u>1,083,780</u></u>
<b>EQUITY</b>		
Issued capital	41,804	41,804
Reserves ( <i>Note</i> )	<u>1,048,372</u>	<u>1,041,976</u>
<b>Total equity</b>	<u><u>1,090,176</u></u>	<u><u>1,083,780</u></u>

Lau Chi Yung, Kenneth  
*Chairman*

Lau Michael Kei Chi  
*Vice-Chairman*

## NOTES TO FINANCIAL STATEMENTS

31 December 2018

### 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

*Note:*

A summary of the Company's reserves is as follows:

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	39,116	802,254	256,996	1,098,366
Final 2016 dividend declared	–	–	(31,353)	(31,353)
Total comprehensive income for the year	–	–	45	45
Interim 2017 dividend	–	–	(25,082)	(25,082)
At 31 December 2017 and 1 January 2018	39,116	802,254	200,606	1,041,976
Final 2017 dividend declared	–	–	(31,353)	(31,353)
Total comprehensive income for the year	–	–	62,831	62,831
Interim 2018 dividend	–	–	(25,082)	(25,082)
<b>At 31 December 2018</b>	<b><u>39,116</u></b>	<b><u>802,254</u></b>	<b><u>207,002</u></b>	<b><u>1,048,372</u></b>

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Hong Kong Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act of Bermuda, the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

### 39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2019.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### CHAPTER 1 INTRODUCTION

The Company is pleased to present its annual Environmental, Social and Governance Report (“ESG Report”) to demonstrate its commitment to sustainable development. This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide of Hong Kong Stock Exchange.

The reporting period of this ESG Report is from 1 January 2018 to 31 December 2018. Unless otherwise specified, the reporting boundary of this ESG Report is the same as this Annual Report.

### SCOPE OF REPORTING

Head office and the managed properties of the Company were chosen for inclusion in this ESG Report because of their significant contributions to the Company:

<b>Property Name</b>	<b>Property Type</b>
M Place	Industrial
Multifield Plaza	Business
Multifield Centre	Business
Units 22-28, 25/F., Tower A, Southmark	Business
Multi-storey Lorry Park, Southmark	Car park

A detailed ESG content index is included at the back of this report to help increase transparency and understanding. Additional ESG performance information, including financial data and corporate governance information, can be found in the Annual Report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### CHAPTER 2 OVERVIEW OF ESG PERFORMANCE

The following programmes have been arranged for 2018 to match with the direction for social responsibility set by the Group.

Subject Areas	Aspects	Policy/Legal compliance	Programmes highlights
Environment	Emissions	✓	Implement environmental measures to reduce, reuse and recycle
	Use of Resources	✓	Implementation of energy saving measures
	The Environment and Natural Resources	✓	Minimise paper consumption
Social – Employment and Labour Practices	Employment	✓	Provide medical insurance and employee trainings
	Health and Safety	✓	Commitment to creating a safe working environment
	Development and Training	✓	Committed to achieving zero working accidents
	Labour Standards	✓	Act in accordance with Hong Kong Employment Ordinance and PRC regulations
Social – Operating Practices	Supply Chain Management	✓	Review contractor performance to reduce waste and avoid using hazardous material
	Product Responsibility	✓	Ensure the hand-over quality of properties to customers measures up to the Company's pre-set high level of standard
	Anti-corruption	✓	All employees follow anti-corruption policies
Social – Community	Community Investment	✓	Set up waste recycling facilities

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### CHAPTER 3 ENVIRONMENT

#### 3.1 EMISSIONS CONTROL MANAGEMENT

The Group is committed to the following emission control measures relating to air, greenhouse gas emissions, water and land discharges, and generation of hazardous and non-hazardous waste:

- Promote and implement environmental management including greenhouse gas emission, water and land discharges, and generation of hazardous and non-hazardous waste management to reduce environmental impact;
- Comply with the relevant environmental legislation and requirements;
- Provide sufficient resources for the implementation of pollution abatement, waste management and natural environmental mitigation.

For air emission control, the Group has adopted a business travelling policy to reduce the use of company vehicles in favor of public transportation in order to minimise the air emission from vehicles. Conference calls instead of face-to-face meetings are also arranged where possible.

#### Total Greenhouse Gas Emissions

Emission	Scope 1		Scope 2		Scope 3		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Carbon dioxide equivalent (tonnes)	<b>8.81</b>	9.65	<b>1,101.65</b>	1,084.72	<b>6.35</b>	6.38	<b>1,116.81</b>	1,100.75

*Note:* Scope 1 includes mobile combustion emission; scope 2 includes energy indirect emissions; scope 3 includes electricity used for fresh water and sewage processing. Insignificant emission amounts are neglected in calculations.

As for hazardous wastes, all properties follow the Waste Disposal Ordinance and related Regulations to identify and classify hazardous waste, establish designated storage areas and appoint responsible property and technical staff to manage. For waste reduction initiatives, the Group minimises the use of plastic products and recycles used materials in company activities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We hope these measures can help ease the pressure on landfill space and bring benefits to the environment.

### Total Waste Produced

Waste	Hazardous waste		Non-hazardous waste	
	2018	2017	2018	2017
Tonnes	0	0	0	0

*Note:* hazardous waste is defined as chemical waste (Cap. 354C. of the Laws of Hong Kong), clinical waste (Cap. 354, Cap. 354O of the Laws of Hong Kong, and various pieces of additional legislation) and hazardous chemicals (Cap. 595 of the Laws of Hong Kong)

As at 31 December 2018, the Group was in compliance with all local rules and regulations relating to air, greenhouse gas emissions, water and land discharges, and generation of hazardous and non-hazardous waste.

### 3.2 EFFECTIVE USE OF RESOURCES

The Group's resources usage strategy focuses on reducing paper usage by using computer filing in place of printed formal copies filing. For material saving, we promote sustainable use of resources in order to reduce waste. For instance, head office and properties are encouraged to purchase recyclable goods.

In energy saving strategy, the Group is committed to continual improvement in energy performance; complies with all applicable legal requirements; staff is reminded to switch off lights, air-conditioning, printers and computers at workstations when they are not in use. The room temperature is maintained at 25 degrees Celsius in summer to save energy. Energy efficient office equipment is always preferred in making purchase decisions. As a result, we have made progress in being energy efficient.

### Total Energy Consumption

Electricity (kWh in '000s)		Renewable Energy (kWh in '000s)		Total (kWh in '000s)	
2018	2017	2018	2017	2018	2017
2,047.79	1,948.99	0	0	2,047.79	1,948.99

In accordance with suggestions by the Water Supplies Department, we take various water saving measures to ensure water is utilised efficiently. These measures include installation of flow controllers in water taps. As a result, we have maximised our water utilisation efficiency.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Total Water Consumption

	Total (m <sup>3</sup> )	
	2018	2017
	<b>10,500</b>	10,777

### 3.3 THE ENVIRONMENT AND NATURAL RESOURCES

The Group’s business operations aim to align with environmental best practices. The Group is careful to minimise major impacts on the environment and natural resources by implementing green practices. We have identified paper consumption in the Group’s offices as a significant impact on the environment and natural resources. As a result, staff are encouraged to reduce paper consumption and wastage by double-sided printing, reusing papers and recycling paper materials. Furthermore, the Group is also committed to being responsible in its energy consumption and supports the purchase of energy efficient products and equipment such as LED lights that helps reduce energy use.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### CHAPTER 4 PEOPLE

#### 4.1 RESPECT FOR LABOUR RIGHTS

The Group strives to maintain a harmonious workplace where employees are free from any form of discrimination. We respect diversity and fairness in recruitment and promotion of our employees, regardless of race, social class, age, nationality, religion, disability, gender or sexual orientation.

The Group strives to maintain a positive work-life balance to employees that provides reasonable working hours and rest periods. We organise regular entertainment activities to reduce the stress on employees.

The Group does not condone forced labour. All employees may resign upon reasonable notice. The Group prohibits child labour, forced labour and illegal workers in any workplace and has comprehensive steps to review the employment practices and eliminate undesired practices if discovered.

All matters related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare are structured to comply with legislation within the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Personal Data (Privacy) Ordinance (Cap. 486), Sex Discrimination Ordinance (Cap. 480) and Disability Discrimination Ordinance (Cap. 487) in Hong Kong, or related local labour legislations.

#### 4.2 SAFETY AND HEALTH

The Group is committed to maintaining a high standard of health and safety and acts in compliance with occupational safety and health legislation, (such as Occupational Safety And Health Ordinance by the Labour Department). The Group requires that all levels of management and supervisors actively participates in and adopts ways to create a safe working environment and protect employees from occupational hazards. Our workplace has been provided with first aid boxes for emergency preparedness.

The Group values the health and well-being of our staff. In order to provide employees with health coverage, staff are entitled to benefits including medical insurance, provident funds and other competitive fringe benefits. We also regularly arrange tours and team development activities for staff to strengthen the employees' sense of affinity to the Group.

#### 4.3 EDUCATION, TRAINING AND CAREER DEVELOPMENT

Training and competence of staff are crucial to the continuous growth of the business of the Group. Through comprehensive staff development, we broaden the professional knowledge, skills and qualifications of our staff, with the aim of creating a solid foundation for the Group's sustainable development in business.

We are committed to providing opportunities to our employees to acquire job-related training and development, mainly through on-the-job training, seminars, workshops, site visits and formal training programmes. On top of on-the-job training, staff are encouraged to take external professional training to strengthen their work-related expertise.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

### **CHAPTER 5 OPERATING PRACTICES**

#### **5.1 QUALITY AND COMPLIANCE MANAGEMENT**

As a company which mainly engage in property leasing and management activities, the Group aims to deliver to our tenants good properties and services:

- When the property is handed over, a contact list will be provided to the tenant. For any enquiry about tenancy matters or repair requests, the leasing managers will be the key contact point, and will then gather the necessary information from the respective departments and give a reply to the tenant. Means of communication include email, fax and phone.
- The handover quality are based on the Company's pre-set high level of standards.

All of our properties have implemented four key steps in quality and compliance control flow:

- During the lease negotiation stage, and before the lease offer is sent out, the Real Estate Department has understanding on the condition of the flat, work agenda to be agreed and the expected handover condition.
- The Real Estate Department also works out the scope of work based on the offered terms and the existing condition of the flat.
- For repairs and maintenances work for our tenants, we will send representatives to check the status of work from time to time and take photographs for record to ensure quality of work.
- After work completion and before handover, the Real Estate Department will check on the flat's condition to ensure all the agreed work items have been completed to the company's satisfaction.

We highly value feedback or complaints from our stakeholders to continuously improve our business. Also, a comprehensive complaint handling procedure has been established to resolve complaints in a timely and effective manner.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Complaints usually relates to repair and maintenance. Upon receipt of a tenant's complaint, the following procedures will be carried out:

- Conduct inspection by our in-house technicians to assess the problem and determine whether the work can be fixed in-house or need to be outsourced.
- For urgent cases, representatives from the Real Estate Department will visit the site on the day or the day following the complaint to decide upon the scale and scope of rectification works.
- Temporary measures to prevent the situation from deteriorating will be carried out, if possible.
- To obtain a quotation for management approval and to have works carried out at a date/time mutually agreed between the landlord and the tenant.

For customer privacy protection, individual record sheets are provided for visitors to fill in their particulars. The data will only be used for record purposes and prevention of crime. The data collected will be destroyed within one (1) month to ensure data protection. The Property Manager on-site is responsible for monitoring the implementation of such measure.

As at 31 December 2018, the Group was in compliance with all local rules and regulations relating to health and safety, advertising, labelling and privacy matters relating to works and services provided and methods of redress.

### 5.2 SUPPLY CHAIN MANAGEMENT

Contractors and suppliers are our important business partners; therefore, active engagement with them is important to the effectiveness of every operation and managing environmental and social risks of the supply chain.

For any given project, we select contractors and suppliers based on a number of environmental and social risk factors, including a performance review in waste reduction and material usage each time when job is completed by suppliers. We also inform our contractors and suppliers about all rules during work. For example, noisy work is not allowed on public holidays. For protection of the environment and customer health and safety, we prohibit the use of hazardous materials and request contractors and suppliers to adopt the materials that fulfil international environmental standards and follow waste handling guidelines. We also instruct our contractors and suppliers to provide information related to environmental protection, together with quotations and contracts.



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Besides giving work suggestions and methods to contractors during project execution, we engage contractors and suppliers through various channels such as face-to-face meetings, site visits, phone conferences, email, etc. We believe we maintain good relationships with our contractors and suppliers. We consider such long-standing relationships with contractors enable us to have a comprehensive assessment of the contractors over the years, ensuring the quality of works in the long run.

### **5.3 MORAL INTEGRITY AND ANTI-CORRUPTION**

The Company upholds high standards on promoting anti-corruption, with all its employees and directors are required to maintain a high level of business ethics. The Audit Committee has the overall responsibility for matters related to the internal controls of anti-corruption.

Whistle-blowing procedures apply to all parties including internal as well as external informers. Any complaints or possible breach of the Corporate Governance Code under Appendix 14 of the Listing Rules can be made either verbally or by confidentially writing to the Audit Committee; all issues will be treated promptly and fairly. In cases of suspected corruption or other criminal offences, a report may be made to the appropriate authority.

As at 31 December 2018, the Group was in compliance with all local rules and regulations relating to bribery, extortion, fraud and money laundering. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees.

## **CHAPTER 6 COMMUNITY INVESTMENT**

### **6.1 COMMUNITY PARTICIPATION**

The Company is aware of the importance of interacting with the wider community in fulfilling corporate social responsibility. In this regard, the Company would explore the possibility to identify suitable partners and support community and environmental programmes that align with the Company's missions and values.

The Company believes the best way to serve the community is to drive positive impact through our investment portfolio. To create shared values with the community and stakeholders, the Company will continue to consider ESG factors in selecting future investment projects.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### APPENDIX 1 HKSE ESG REPORTING GUIDE CONTENT INDEX TABLE

HKSE ESG Reporting Guide	Description	Chapter	Remark
<b>A. Environmental</b>			
<b>Aspect A1: Emissions</b>			
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.1 Emissions Control Management	
KPI A1.1	The types of emissions and respective emissions data.	3.1 Emissions Control Management	
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1 Emissions Control Management	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1 Emissions Control Management	

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<b>HKSE ESG Reporting Guide</b>	<b>Description</b>	<b>Chapter</b>	<b>Remark</b>
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.1 Emissions Control Management	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3.1 Emissions Control Management	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.1 Emissions Control Management	
<b>Aspect A2: Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2 Effective Use of Resources	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.2 Effective Use of Resources	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2 Effective Use of Resources	

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<b>HKSE ESG Reporting Guide</b>	<b>Description</b>	<b>Chapter</b>	<b>Remark</b>
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 Effective Use of Resources	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2 Effective Use of Resources	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		Packaging material is not identified as a material aspect in business of the Company. Such disclosure is omitted.
<b>Aspect A3: The Environment and Natural Resources</b>			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.3 The Environment and Natural Resources	
KPI A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them.	3.3 The Environment and Natural Resources	

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

HKSE ESG Reporting Guide	Description	Chapter	Remark
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
<b>Aspect B1: Employment</b>			
General Disclosure	<p>Information on:</p> <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</li> </ul>	4.1 Respect for Labour Rights	

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

<b>HKSE ESG Reporting Guide</b>	<b>Description</b>	<b>Chapter</b>	<b>Remark</b>
<b>Aspect B2: Health and Safety</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</li> </ul>	4.2	Safety and Health
<b>Aspect B3: Developing and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3	Education, Training and Career Development
<b>Aspect B4: Labour Standards</b>			
General Disclosure	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.</li> </ul>	4.1	Respect for Labour Rights
<b>Operating Practices</b>			
<b>Aspect B5: Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.2	Supply Chain Management

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

HKSE ESG Reporting Guide	Description	Chapter	Remark
<b>Aspect B6: Product Responsibility</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.1	Quality and Compliance Management
<b>Aspect B7: Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.3	Moral Integrity and Anti-corruption
<b>Community</b>			
<b>Aspect B8: Community Investment</b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.1	Community Participation

## PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
<b>Hong Kong</b>						
1	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong	Residential	100%	1,833	1,833	Up to 30 June 2047
2	Flat B on 7th Floor, Rose Mansion, No. 1 Prat Avenue, Kowloon, Hong Kong	Residential	100%	890	890	150 years from 25 December 1898
3	Multifield Centre, No. 426 Shanghai Street, Kowloon, Hong Kong	Commercial	100%	46,351	46,351	150 years from 25 December 1887
4	Ground Floor, 1st to 3rd Floor, 5th Floor, Air-conditioning Plant Room on 6th Floor, Office Unit 01 on 7th Floor (including exclusive lavatory), Office Units 01 to 03 and 05 to 10 on 20th and 21st Floor and the roof, Multifield Plaza, No. 3 Prat Avenue, Kowloon, Hong Kong	Commercial	100%	61,269	61,269	150 years from 25 December 1898 and 24 June 1889 respectively
5	M Place, No. 54 Wong Chuk Hang Road, Hong Kong	Industrial	100%	142,136	142,136	75 years from 10 May 1965 renewable for a further term of 75 years
6	Shop No. 2 on Ground Floor, Goldfield Building, Nos.42, 43 and 44 Connaught Road West and Nos.200 and 202 Wing Lok Street, Hong Kong	Commercial	62.53%	1,300	813	999 years from 25 June 1871 and 9 April 1901 respectively



**PROPERTY PORTFOLIO OF THE GROUP**

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
7	Flat B on 30th Floor of Tower 6 and Private Cars Car Park No. 58 on Car Park Level 2, Bel-Air on the Peak of Island South, No. 68 Bel-Air Peak Avenue, Hong Kong	Residential/ Car Park	100%	913	913	50 years from 22 May 2000
8	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, No. 9 Chi Fu Road, Hong Kong	Residential	64.06%	518	332	75 years from 19 October 1976 renewable for a further term of 75 years
9	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, No. 14 Chi Fu Road, Hong Kong	Residential	64.06%	518	332	75 years from 19 October 1976 renewable for a further term of 75 years
10	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, No. 12 Chi Fu Road, Hong Kong	Residential	64.06%	518	332	75 years from 19 October 1976 renewable for a further term of 75 years
11	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,438	11,438	A term from 17 December 1991 to 30 June 2047
12	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 19th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	64.06%	11,439	7,328	A term from 17 December 1991 to 30 June 2047
13	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 25th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	62.53%	11,438	7,152	A term from 17 December 1991 to 30 June 2047

## PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
14	Car Parking Space (Private Carpark) No. P101 on 1st Floor and Nos. P201 and P202 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	64.06%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
15	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
16	Multi-storey Lorry Park of Ground Floor to Lower Ground 5 (G/F to LG1-5/F (Inclusive)), Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	62.53%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
17	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor, Tower 2, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	2,423	2,423	A term from 25 January 1995 to 30 June 2047
18	Flat A (Including the Balcony thereof) on the 12th Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	64.06%	1,317	844	A term from 25 January 1995 to 30 June 2047
19	Flat A (Including the Balcony thereof) on the 21st Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	1,317	1,317	A term from 25 January 1995 to 30 June 2047
20	Flat B (Including the Balcony thereof) on the 21st Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	62.53%	1,315	822	A term from 25 January 1995 to 30 June 2047

**PROPERTY PORTFOLIO OF THE GROUP**

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
21	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 30th Floor, Tower 1 and Car Parking Space No. 16 on the Ground Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential/ Car park	64.06%	2,545	1,630	A term from 25 January 1995 to 30 June 2047
22	Car Parking Space No. 1071 on 1st Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Car Park	100%	N/A	N/A	A term from 25 January 1995 to 30 June 2047
23	Whole of 4th, 5th, 8th and 9th Floor, Units B1 and B2 on 14th Floor and Car Parking Space Nos. 1-4 and 10-21, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial/ Car Park	100%	81,720	81,720	75 years from 23 March 1970 renewable for a further term of 75 years
24	Units B1 and B2 on 2nd Floor, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial	64.06%	9,080	5,817	75 years from 23 March 1970 renewable for a further term of 75 years
<b>The PRC</b>						
25	Levels 1 and 2, Block B, Versailles de Shanghai, No. 1, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	Commercial	63.20%	6,276	3,966	A term from 26 February 1997 to 7 October 2062
26	Windsor Park, No. 2279 Hongqiao Road, Changning District, Shanghai, The PRC	Hotel Serviced Villa	76.62%	178,956	137,116	A term from 21 November 2000 to 7 November 2062
27	Windsor Court, No. 2290 Hongqiao Road, Changning District, Shanghai, The PRC	Hotel Serviced Apartment	100%	199,907	199,907	A term from 5 April 1997 to 7 November 2062

## PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
28	Windsor Place, Lane 2222 Jianhe Road, Changning District, Shanghai, The PRC	Hotel Serviced Villa	62.53%	448,758	280,608	A term from 23 June 1997 to 22 June 2067
29	The land located at North of Gangqian Road/ West of Santaishi Road, Qianshan, Zhuhai, Guangdong Province, The PRC (Site Area: Approx. 396,210 sq.ft)	Commercial	100%	*475,451	*475,451	Up to 1 January 2044
30	Unit 1604, Block 2, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Jida, Zhuhai, Guangdong Province, The PRC	Residential	100%	2,080	2,080	A term from 30 November 1997 to 30 November 2067
31	Unit 2701, Block 3, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Jida, Zhuhai, Guangdong Province, The PRC	Residential	100%	2,847	2,847	A term from 30 November 1997 to 30 November 2067
32	Car Parking Space Nos. Y201, Y211 and Y212, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Jida, Zhuhai, Guangdong Province, The PRC	Car Park	100%	N/A	N/A	A term from 30 November 1997 to 30 November 2067
33	House No. 97, (Hua Fa Shi Ji Cheng) No. 376 Changsheng Road, Xiangzhou District, Zhuhai, Guangdong Province, The PRC	Residential	100%	4,178	4,178	A term from 7 January 2005 to 7 January 2075
34	House No. 98, (Hua Fa Shi Ji Cheng) No. 376 Changsheng Road, Xiangzhou District, Zhuhai, Guangdong Province, The PRC	Residential	100%	4,183	4,183	A term from 7 January 2005 to 7 January 2075

**PROPERTY PORTFOLIO OF THE GROUP**

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
35	House No. 100, (Hua Fa Shi Ji Cheng) No. 376 Changsheng Road, Xiangzhou District, Zhuhai, Guangdong Province, The PRC	Residential	100%	4,211	4,211	A term from 7 January 2005 to 7 January 2075
36	No. 17, Lane 1, No. 1218 Zhu Feng Main Road, Jingan Town, Doumen District, Zhuhai, Guangdong Province, The PRC	Residential	100%	3,410	3,410	A term from 18 April 2004 to 18 April 2074
37	Unit 402, Block 20, No. 8 Shan Hu Hai Road, Xihucheng District, Jinwan District, Zhuhai, Guangdong Province, The PRC	Residential	100%	2,144	2,144	A term from 10 October 2007 to 9 October 2077
38	Unit 302, Block 20, No. 8 Shan Hu Hai Road, Xihucheng District, Jinwan District, Zhuhai, Guangdong Province, The PRC	Residential	100%	2,144	2,144	A term from 10 October 2007 to 9 October 2077
39	Units A to F on Level 16, Tower II, Innotect Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC	Residential	100%	8,620	8,620	A term from 25 May 1992 to 24 May 2062
40	Unit No. 7-10-I on Level 10 of Block No. 7, No. 68 Xinzhong Street, Dongcheng District, Beijing, The PRC	Residential	64.06%	1,132	725	Up to 1 November 2063

Notes:

N/A – Not Applicable

\* – Buildable Area