珠海控股
ZHUHAI HOLDINGS

珠海控股投資集團有限公司
ZHUHAI HOLDINGS INVESTMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)（於百慕達註冊成立之有限公司）
Stock Code 股份代號：00908

2018
Annual Report 年報



ZHUHAI HOLDINGS INVESTMENT GROUP LIMITED

FORGING AN INDUSTRIAL CHAIN OF PERFECT LIVING AND TRAVELLING

CONTENT

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Huang Xin *(Chairman)*
Mr. Jin Tao
Mr. Ye Yuhong
Mr. Li Wenjun
Mr. Zhou Shaoqiang
(resigned on 15 March 2018)

Non-Executive Directors

Datuk Wira Lim Hock Guan
(Mr. Lim Seng Lee as his alternate)
Mr. Kwok Hoi Hing
(Mr. Zhu Minming as his alternate)
Mr. Zou Chaoyong
(appointed on 28 May 2018)
Mr. Wang Zhe
(resigned on 15 March 2018)

Independent Non-Executive Directors

Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho
Mr. Wang Yijiang

Alternate Director

Mr. Lim Seng Lee
(alternate to Datuk Wira Lim Hock Guan)
Mr. Zhu Minming
(alternate to Mr. Kwok Hoi Hing)
(appointed on 7 December 2018)

Audit Committee

Mr. Albert Ho *(Chairman)*
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David

Nomination Committee

Mr. Huang Xin *(Chairman)*
Mr. Ye Yuhong
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho
Mr. Wang Yijiang

Remuneration Committee

Mr. Hui Chiu Chung *(Chairman)*
Mr. Chu Yu Lin, David
Mr. Albert Ho

Company Secretary

Mr. Kwok Tung Fai
(appointed on 31 December 2018)
Ms. Leung Kwan Wai
(appointed on 1 June 2018 and resigned on 31 December 2018)
Mr. Chan Chit Ming, Joeie
(resigned on 1 June 2018)

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Principal Bankers

Wing Lung Bank, Limited
Malayan Banking Berhad, Hong Kong Branch
Industrial and Commercial Bank of China, Zhuhai Branch
Bank of China, Zhuhai Branch
Everbright Bank of China, Zhuhai Branch
Xiamen International Bank, Zhuhai Branch
Shanghai Pudong Development Bank, Zhuhai Branch

Legal Advisors (as to Hong Kong law)

Chiu & Partners
Allen & Overy

Principal Share Registrar

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

Branch Share Registrar

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

Head Office and Principal Place of Business in Hong Kong

Units 3709–10
37/F, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Registered Office

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2 Church Street
Hamilton HM 11
Bermuda

Stock Code

00908

Investors Relation

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info@0908.hk

Website

www.0908.hk

* The English transliteration of the Chinese names in this annual report, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

Chairman's Statement

Huang Xin
Chairman

Dear Shareholders,

Looking back on its struggle in 2018, Zhuhai Holdings Investment Group Limited ("Zhuhai Holdings") (the "Company") has linked its destiny to that of the People's Republic of China ("PRC" or "China") and Zhuhai City, together we plowed through hardship and challenges, and bravely undertook historical missions. We embraced the new era with enthusiasm, aggressively seized new opportunities, and promoted commercial ethics. Leveraging the unique resources and industrial base of Guangdong and Hong Kong, we closely follow the steps of Zhuhai City's endeavor of "Second Entrepreneurship" under the guidelines of "building our vision with a high perspective, striving for high-quality development, high-standard operation, and profit-sharing with high output", aiming at steady operation and development. We closely monitored the progress of our projects, went into fine details in terms of management expertise, and constantly optimized our strategic decisions, aiming to revitalize the existing assets, transform the traditional marketing models, and accelerate the transformation and upgrading of our principal businesses. Riding on the tide of China's national rejuvenation, we are writing a new chapter of the development of Zhuhai Holding, during which we have scored a series of new achievements and made exceptional contribution to the prosperity of Zhuhai and Hong Kong.

Chairman's Statement

As the most important overseas red chip platform based in Zhuhai, the Company has always adhered to market-oriented operation and capital-driven development. During the financial year ended 31 December 2018 ("FY2018"), under the leadership of the board of directors ("Directors") ("Board") of the Company and thanks to the joint efforts of all our employees, we opened the door to globalization while bringing in advanced management concepts, aiming to integrate available resources and ignite our vigor and passion, with which we have built up a considerable stock of projects under construction, and a great bundle of new projects waiting to be launched. As a company with diversified operations and an ambition to forge an industrial chain of ideal living and travelling, the Group focuses on its core tourist projects and actively blends into the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, pragmatically fulfilling its corporate and social responsibility.

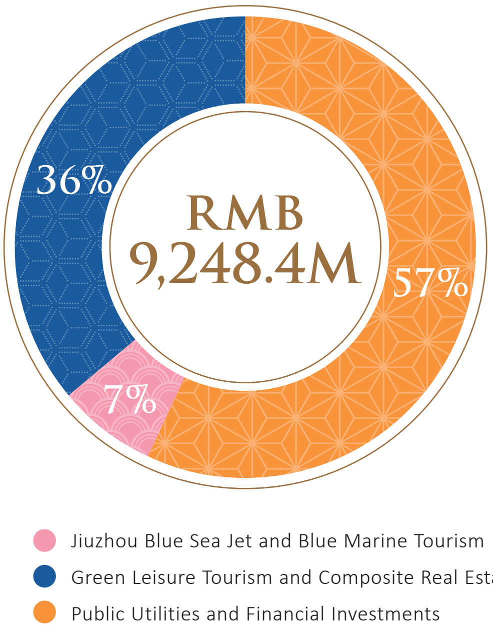
The Company recorded a net profit attributable to owners of the Company for FY2018 of approximately RMB177,028,000 (FY2017: RMB61,479,000) and a basic earnings per share of RMB12.40 cents for FY2018 (FY2017: RMB4.31 cents). The board of directors of the Company has recommended payment of a final dividend of HK2 cents per share to the shareholders for FY2018 (FY2017: HK2 cents).

In 2019, China's economy will be facing greater pressure of deterioration as well as increasing uncertainty and more complicated risks and challenges. We have headed into a period of painful industrial transformation and upgrade, in which we must manage to stay invincible in the new round of challenges, while striving to become a powerful company with impressive principal businesses and a good reputation. We must stay determined, take prudent actions, and advance in a steady manner. We must grasp the historical opportunities arising from the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, and strive to achieve digital transformation and catch up with the tide of intelligent development along with Zhuhai City's endeavor of "Second Entrepreneurship". We shall adhere to the manufacturing segment while seeking diversified development, steadily increasing the level of the basic industries, further extending the industrial chain, making efforts in improving capital operation optimizing industrial layout, and advancing project construction and implementation with impressive efficiency and quality.

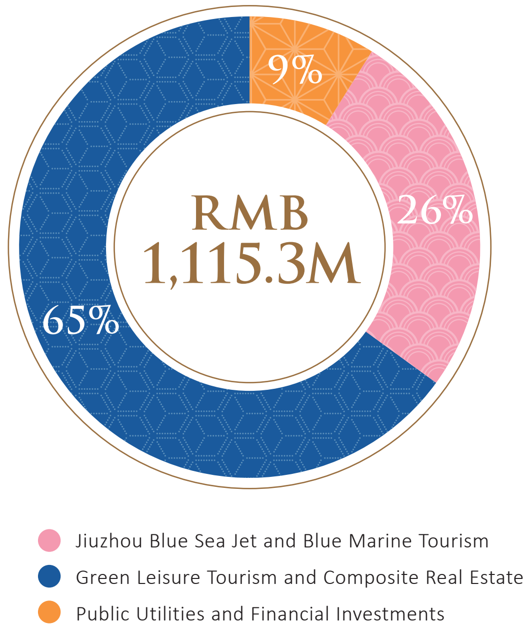
Finally, I would like to thank all of our directors, employees and shareholders for their dedication and consistent support in the past year. Wish you all a happy and prosperous new year!

By Order of the Board
Huang Xin
Chairman
Hong Kong, 26 March 2019

Segment Revenue



Segment Results*



	2018	2017
Revenue (RMB'000)	**9,248,350**	3,835,638
Gross profit (RMB'000)	**1,328,993**	643,779
EBITDA (RMB'000)	**1,126,792**	445,525
Profit for the year (RMB'000)	**396,844**	157,948
Profit attributable to owners of the Company (RMB'000)	**177,028**	61,479
Gross margin (%)	**14.4%**	16.8%
EBITDA margin (%)	**12.2%**	11.6%
Profit margin (%)	**4.3%**	4.1%
Earnings per share (RMB) – basic	**RMB12.40 cents**	RMB4.31 cents
Dividend per share (HK$) – final dividend (proposed) (HK$)	**HK2 cents**	HK2 cents
Dividend pay-out ratio (%)	**14%**	42%
Current ratio (times)	**1.29**	1.31
Gearing ratio (%)	**64%**	31%

* not included Corporate and Others, and Inter-segments eliminations

Management Discussion And Analysis

Business review

In 2018, China's business environment was full of challenges with increasing competition in the China's tourism industry. In this fiercely competitive environment, Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (collectively, the "Group") were able to strive for better quality of our products and services and minimise the effect. The audited consolidated income of the Group was approximately RMB9,248,350,000 for the financial year ended 31 December 2018 ("FY2018"), representing an increase of approximately 141.12% as compared with RMB3,835,638,000 for the same period last year. The gross profit of the Group was RMB1,328,993,000, representing an increase of approximately 106.44% as compared with RMB643,779,000 for the same period last year. The consolidated profit for FY2018 was RMB396,844,000 representing an increase of approximately 151.25% as compared with RMB157,948,000 for the same period last year. In addition, the consolidated profit attributable to owners of the Company was RMB177,028,000, representing an increase of approximately 187.95% as compared with RMB61,479,000 for the same period last year.

In FY2018, the increase in the profit attributable to owners of the Company was primarily attributable to a substantial increase in revenue recognised in the property development segment as a result of an increase in units delivered for the sales of the Cuihu Xiangshan Project.

The Company's principal businesses include Jiuzhou Blue Sea Jet and Blue Marine Tourism, Green Leisure Tourism and Composite Real Estate, Public Utilities and Financial Investments. Please refer to Note 5 to the consolidated financial statements for segment revenue and segment results.

1. Jiuzhou Blue Sea Jet and Blue Marine Tourism

1.1 Jiuzhou Blue Sea Jet

During FY2018, based on its "Blue Marine Tourism" strategy, Zhuhai High-speed

Passenger Ferry Co., Ltd.* (珠海高速客輪有限公司) ("Ferry Company", a non-wholly owned subsidiary of the Company) and its subsidiaries (collectively, the "Ferry Group") proactively sought business transformation and upgrade to grasp the opportunities presented by the opening of the Hong Kong-Zhuhai-Macao Bridge. On one hand, the Ferry Group continued to operate major routes, while on the other hand, it implemented the transformation to Blue Marine Tourism to seize the opportunities arising from the development of the Greater Bay Area.

During FY2018, thanks to the relatively ideal weather throughout the year and the recovery of the Hong Kong tourism market, the number of mainland tourists and the willingness of passenger travel have both been on the rising trend; the development of the Hong Kong-Zhuhai-Macao Bridge and Hengqin New District, coupled with the implementation of the strategy on Guangdong-Hong Kong-Macao Greater Bay Area have attracted a large number of people to Zhuhai for investment, tourism and transit purposes, bringing vast room for the development of waterway passenger transport market and the demand for transportation travel between Guangdong, Hong Kong and Macao, especially after the opening of the bridge, has been surging, with the passenger volume of Shekou route increasing significantly. During FY2018, the traditional business has been upgraded and transformed and the update on capacities of ferries, which are now faster-running and the decoration is more luxurious and comfortable, has been basically completed, and at the same time, several island lines have been launched, resulting in more frequent island routes. The Ferry Company adjusted market distribution to capture market opportunities.

During FY2018, the passenger volume of ferry services of the Ferry Company running between Jiuzhou Port and Hong Kong (including the Hong Kong Airport line) amounted to approximately 2.15 million, representing an increase of approximately 10% as compared with the passenger volume of the previous year. Throughout the year, the Ferry Company accounted for 46.56% of the total number of routes between Guangdong and Hong Kong, further fortifying and maintaining its leading position in Guangdong and Hong Kong waterways transport. The volume of passenger travel on Shekou route was 1.07 million persons throughout the year, representing an increase of 15% as compared with the passenger volume of the previous year. The volume of passenger travel on various Zhuhai island lines was 920,000 persons, representing an increase of 2.2% as compared with the passenger volume of the previous year. The passenger volume of each passenger route of the Ferry Company has increased to varying degrees, with the most significant increase in Shekou route thanks to the strategic development of the Guangdong-Hong Kong-Macao Greater Bay Area.

In 2018, the safety management system of the Ferry Company successfully completed the renewal audits of Document of Compliance (符 合 證 明) of the Maritime Safety Administration of the PRC. In addition, the Ferry Company was once again awarded the title of the "Safe and Honest Company" (安 全 誠 信 公 司) by the Maritime Safety Administration of the PRC, which it has maintained for 11 consecutive years up until now, being the only high-speed ferry company in the PRC to obtain this achievement for 11 years in a row.

In order to grasp the external development opportunities and achieve the strategic target of promoting "Jiuzhou Blue Sea Jet" as an international brand, Hunan Jiuzhou Longxiang Marine Tourism Passenger Transport Company Limited* (湖南九洲龍驤水上客運有限責任公司) ("Changsha JV Company"), a joint venture enterprise, formed by Zhuhai Haichang Investment Company Limited* (珠海海昌投資有限公司) ("Haichang Investment Company"), a wholly-owned subsidiary of the Ferry Company, Hunan Longxiang Juzizhou Travel Services Development Company Limited* (湖南龍驤橘子洲旅遊服務開發有限責任公司) and other parties, successfully completed the purchase of two cruises and adopted effective marketing programs to expand the tourist market. The Changsha JV Company develops the project of Xiangjiang Night Tour (湘江夜遊) and signature theme tourism projects and designs "Admiring Fireworks in Boat on Xiang River" (船遊湘江賞焰火) with a meticulous effort, adding new scenic spots of maritime tourism in Changsha.

In 2015, the Company entered into a Hainan strategic co-operation framework agreement ("Hainan Framework Agreement") with CCCC Hainan Construction Investment Limited* (中交海南建設投資有限公司) ("CCCC Company") in relation to the Hainan Projects in the maritime tourism and transportation in Hainan and Guangdong provinces in the PRC. During FY2018, the first high-speed passenger ferry terminal in Sanya, the "Tianya Haijiao Terminal" (天涯海角碼頭) was launched and put into operation, opening a new route. Initial progress was made in the opening of the water transport network that brings eastern and western routes together, and a series of featured theme tour brands were launched. The project "Viewing Sanya at Sea" (海上看三亞), recognised as an outstanding case of tourism in Hainan Province, was written into the "Round-up of the 2018 Spring Festival Holiday Tourism Market of the National Tourism Administration" (國家旅遊局2018春節假日旅遊市場總結). For details of the Hainan Framework Agreement, please refer to the announcement of the Company dated 11 May 2015.

Zhuhai Yuegong Xinhai Transportation Co., Ltd.* (珠海粵拱信海運輸有限責任公司), a company in which the Group has an equity interest, participated in the tender for the project in respect of shuttle bus operators for the boundary crossing facilities on the "Hong Kong-Zhuhai-Macao Bridge" (the "Shuttle Bus Project"), and was confirmed as the successful tenderer in August 2017, making it the sole operator of shuttle bus services for the boundary crossing facilities on the "Hong Kong-Zhuhai-Macao Bridge". During FY2018, the Company pushed ahead with the preparatory work for the targets to be met before the opening of the bridge. On 24 October 2018, shuttle buses for the boundary crossing facilities of "Hong Kong-Zhuhai-Macao Bridge" were put into operation. As of 31 December, the number of cumulative passengers carried was 3.63 million. The Shuttle Bus Project can effectively reduce the adverse effects on Jiuzhou Blue Sea Jet following the opening of the "Hong Kong-Zhuhai-Macao Bridge" and act as a new driver for profit growth in respect of the Group's transportation business segment.

1.2 Blue Marine Tourism

The area where Zhuhai Jiuzhou Cruises Co., Ltd.* (珠海市九洲郵輪有限公司) ("Jiuzhou Cruises Company", a wholly-owned subsidiary of Ferry Company) is located, is continuously affected by the municipal renovation project and the operating environment is under severe pressure during the stages. Jiuzhou Cruises Company actively expands new tourism products under the premise of actively strengthening the management of business premises and striving to improve service quality. With the favorable opportunity arising from the opening of the Hong Kong-Zhuhai-Macao Bridge, the Company will strive to broaden the tourism-related market presented by the "Hong Kong-Zhuhai-Macao Bridge", increase advertising efforts and vigorously promote network distribution channels. During FY2018, Jiuzhou Cruises Company served 836,400 tourists in total, representing an increase of 48.6% over the same period last year.

In order to thoroughly implement the strategy of "Blue Marine Tourism" with an aim to establish a marine-related business segment, the Ferry Company entered into a strategic co-operation framework agreement ("Guishan Island Framework Agreement") with The People's Government of Guishan Town, Zhuhai (珠海市桂山鎮人民政府) in 2015 in relation to the possible co-operation in the investment, construction and operation of a project on Guishan Island (桂山島), Zhuhai of the PRC, involving the featured cultural industry and homestay tourism industry ("Guishan Island Project"). Initial progress has been made for the Guishan Island Project which was recognized as "Leisure and Fishery Demonstration Base in Guangdong Province" (廣東省休閒漁業示範基地) and the second prize of the first batch of "The Most Beautiful Homestay in Guangdong Province" (廣東省最美民宿第二名) issued by the Guangdong Provincial Tourism Administration in FY2018. In additional to building signature entertainment projects of high-quality leisure marine tourism, the Company further accelerated the comprehensive development of marketing and diversified signature tourism projects. The Guishan Island Project represented the beginning of the Company's following up on the island construction and the implementation of transformation and upgrading, and was of great significance to the extension of the industrial chain of "Blue Marine Tourism".

In 2015, Haichang Investment Company entered into a preliminary co-operation agreement with a subsidiary of a state-owned enterprise in Zhuhai in relation to the development of "Zhuhai Sailboat Station Project" in Zhuhai, the PRC. The project will comprise water sports (including but not limited to sailboats, yachts, kayaks and motor boats) and the operation of the marine restaurant business and marine culture memorial, etc. During FY2018, both parties promoted the establishment of a joint venture company and initiated the infrastructure work of the preliminary project. The area of future projects will be built into maritime tourism, marine sports, land area business, etc. For details of the Zhuhai Sailboat Station Project, please refer to the Company's announcement dated 15 June 2015.

2. Green Leisure Tourism and Composite Real Estate

2.1 Zhuhai Holiday Resort Hotel

Zhuhai Holiday Resort Hotel Company Limited* (珠海度假村酒店有限公司) ("Zhuhai Holiday Resort Hotel"), a wholly-owned subsidiary of the Company, has been awarded the title of "Trustworthy Model Enterprise in Guangdong Province" (廣東省誠信示範企業) for twelve consecutive years. Zhuhai Holiday Resort Hotel, as the only selected hotel in Zhuhai hotel industry, won the "China Service Contribution Award" (中國服務貢獻獎) granted by Golden Key Alliance, which was the honour awarded first time to Zhuhai hotel industry. Zhuhai Holiday Resort Hotel was awarded the title of "Excellent Conference Service Enterprise in Zhuhai Convention and Exhibition Industry in 2018". Zhuhai Holiday Resort Hotel participated in the First Chinese Culinary

Skill Competition in Guangdong-Hong Kong-Macao Greater Bay Area on which the chef team won the "Best Team (Silver Award)", "Best Hot Dishes (Bronze Award)" and "Best Cooperation (Bronze Award)". Zhuhai Holiday Resort Hotel also won other awards such as the "Innovation Enterprise Regarding Zhuhai Enterprise Culture Construction at the 40th Anniversary of China's Reform and Opening Up".

Against the background where the number of hotels in Zhuhai increased and the fierce competition among brand hotels has been intensified, Zhuhai Holiday Resort Hotel adhered to centering on the group development. In the context of striving to improve service quality and build brand value, Zhuhai Holiday Resort Hotel strengthened its online marketing with the enhancement of economic efficiency as a goal, making great progress in various work. In terms of rooms, Zhuhai Holiday Resort Hotel vigorously look for more target customers for conferences, travel agencies and leisure travelling market. In terms of catering, Zhuhai Holiday Resort Hotel strengthened brand promotion and enriched operation concepts so as to firmly build a national catering brand. The sales of traditional food such as dumplings, moon cakes and other special items self-manufactured by Zhuhai Holiday Resort Hotel for the Dragon-Boat Festival and Mid-Autumn Festival generated a fabulous profit.

Zhuhai Holiday Resort Hotel kept pace with the times, insisted on linking up with the demand of the market, and persistently pursued improvement of hotel service quality, so that it would provide its customers with high quality and satisfying service.

The average occupancy rate of Zhuhai Holiday Resort Hotel during FY2018 was approximately 59.82%, and the average room rate increased by 2.9% as compared to that of last year.

The strategic cooperation between Zhuhai Holiday Resort Hotel and well-known premium hotel management companies in the world has been pressed ahead by introducing high-end global brands and positioning Zhuhai Holiday Resort Hotel as a high-end boutique hotel in the world.

2.2 New Zhuhai Holiday Resort Hotel Renovation Project (the "New Hotel Project")

Zhuhai Jiuzhou Property Development Limited* (珠海九洲置業開發有限公司) ("JPD", a wholly-owned subsidiary of the Company), as the investor and developer of the New Hotel Project, is making every effort to promote the progress of the project in various aspects. The roof-capping and the installation of glass curtain walls for the main structures of Phase 1 new hotel (the "New Hotel Project") and sports stadium were completed during the reporting period, and interior finishes are underway.

With respect to Phase 2 commercial and office complex (the "Commercial Complex"), procedures of planning approval and construction approval had been completed. Meanwhile, JPD upgraded and renovated the

existing hotel and relevant ancillary facilities to enhance the management, service quality and brand value of Zhuhai Holiday Resort Hotel, while building Zhuhai Holiday Resort Hotel as a quality theme hotel celebrating the comprehensive quality.

2.3 The New Yuanming Palace

During FY2018, the New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z.* (珠海經濟特區圓明新園旅遊有限公司) (the "New Yuanming Palace", a wholly-owned subsidiary of the Company) recorded 3,973,191 visitors, increased by 14.1% as compared to last year. Revenue from New Yuanming Palace recorded an increase of approximately 5%. During FY2018, the New Yuanming Palace has mainly achieved the following good results on the market expansion. Firstly, through multi-channel and multi-level marketing activities, various wonderful activities at each festival were launched, which gained popularity among citizens. During the Spring Festival Golden Week, the New Yuanming Palace launched a well-planned show themed as "Impression of the Royal Temple Fair in Zhuhai • China Year (皇家大廟會之印象珠海•中 國 年)", undertaking and introducing a series of activities such as "The Clown Carnival (小 丑 嘉 年 華)", "Impression of Ancient Iron in Zhuhai (印象珠海•千年鐵魂)", the 3rd Peony Exhibition and the 8th Food Festival held in New Yuanming Palace and others. During the Labor Day Golden Week and National Day Golden Week, the shows of "Liu Laogen Na Lai Yi Hu Hai Joyful Big Stage (劉老根拿來一壺嗨歡樂大舞臺)" and "Cute Pet Carnival (萌寵嘉年華)" were brought in, respectively. In October, the New Yuanming Palace, together with Guangzhou Haotian (廣州豪天) jointly organized the 5th New Yuanming Palace-Haotian Halloween Celebration. All abovementioned shows and activities accomplished excellent performances. Secondly, the rents have risen sharply due to the increase of venue leases. A total of 42 events were held on leased venues for the year, including 24 square dance events, up 243% as compared with that of last year. The number of events and revenues recorded the highest in recent years. Thirdly, the student market was further explored by improving and deepening practical education research course. The New Yuanming Palace cooperated with Chunhui International Travel Service (春 輝 國 旅) and Port China Travel Service (口岸中旅) to improve the customized tourism products for students. According to statistics, in 2018, the New Yuanming Palace received a total of 3,293 students for spring travels, creating value and achieving profit. During FY2018, the New Yuanming Palace won a number of awards. It was selected as the President Unit of Zhuhai Tourism Scenic Spots Industry Association (珠海市旅遊景區景點行業協會會長單位) and was awarded the title of "Zhuhai Civilized and Harmonious Enterprise (珠 海 市 文 明 和 諧 企 業)" and "Zhuhai City Statistics Advanced Unit (珠海市統計工作先進單位)", achieving good social benefits.

2.4 The Fantasy Water World

During FY2018, with focusing on the promotional theme of "Amazing Va", the Fantasy Water World operated by Zhuhai Water Entertainment Company Limited* (珠海市水上娛樂有限公司), a wholly-owned subsidiary of the Company, continuously planned and launched various marketing activities at every appropriate timing, such as annual card bargaining activities and festival ticket promotion, based on different timing and tourist market, so as to achieve "create opportunities on non-holidays and every festival will promote" ("無節造勢、逢節必促"). Each activity turned the site into a buoyant sea with vibrancy, and was covered by the news media. During FY2018, it has carried a total of 209,010 passenger trips, and the operation measures have proved to achieve certain effects.

2.5 Jiuzhou • Greentown – Cuihu Xiangshan Project

Zhuhai Jiuzhou Holdings Property Development Co., Ltd. (珠海九控房地產有限公司) ("ZJ Development Company", a non wholly-owned subsidiary of the Company) developed the Zhuhai Cuihu Xiangshan High-end Tourism Real Estate Project ("Cuihu Xiangshan Project") at full speed. During FY2018, Cuihu Xiangshan Project was awarded another title, namely the 2017 "Livable Boutique Luxury" by Fangzhanggui, which further elevated the brand awareness of the project and added favourable conditions for its brand promotion and sales.

During FY2018, the units of Phase 2 high-rise buildings of the Cuihu Xiangshan Project were delivered successively. Phase 3 multi-storey villas, Phase 4 French villas and Chinese style courtyard houses, Phase 5 high-rise building and Town Commercial Center projects were proceeding with construction, delivery in batches and commercial introduction of brands. As Cuihu Xiangshan Project is being delivered in different stages, construction-related work of subsequent projects is being accelerated. Meanwhile, the introduction and construction of ancillary commercial space, high-end hotels and educational facilities are being improved, which will lay a sound foundation for brand development and subsequent marketing for the Cuihu Xiangshan Project.

2.6 Zhuhai Lakewood Golf Club ("Lakewood Club")

During FY2018, Lakewood Club operated by Zhuhai Jiuzhou Holdings Sports Management Co., Ltd.* (珠海市九控體育管理有限公司) (formerly known as Zhuhai International Circuit Golf and Country Club Limited* (珠海國際賽車場高爾夫俱樂部有限公司)), a non wholly-owned subsidiary of the Company, hosted 43,050 games accumulatively, representing an increase of 1,787 golfer visits over last year. The renovations to the Xiangshan golf course have completed and it was put into use in September, which increased the number of golfer visits to some extent. In recent two years, by leveraging synergistic marketing with Zhuhai Jiuzhou Holdings Property Development Co., Ltd. (珠海九控房地產有限公司), the value of real estate projects enhanced through the golf courses. On the other hand, the synergistic marketing in turn promoted the development of golf courses, which achieved a win-win situation. During FY2018, according to the industry standards and the actual situation of the club, it revised the service specifications of the players assistant starters, the marshals and the caddies, organized the employees to seriously study and implement the etiquette and behavioral criterion, conducted regular service assessments, and established a new style of caddie service, through which the service level and brand value of Lakewood Club were further improved. Lakewood Club strived to develop its own brand, namely the "Greater Bay Area Champions Golf Tournament" and push forward its training for youth golfers, with the support by Zhuhai Bureau of Recreational and Sports Activities and Tourism (珠海市文體旅遊局).

3. Public Utilities and Financial Investments

3.1 Jiuzhou Passenger Port ("Jiuzhou Port")

During FY2018, on the one hand, stimulated by the recovery of Hong Kong's tourism industry and affected by the increasing congestion of highways in holidays and the advantages of waterway transportation, the passenger flow volume of Zhuhai Jiuzhou Port Passenger Traffic Services Co. Ltd.* (珠海九洲港客運服務有限公司) increased significantly, and the operating income achieved good results. On the other hand, Jiuzhou Port established a reasonable layout

for the temporary passenger transportation site and actively attracted investments. In this way, retail rents and the income from booths of real estate projects have increased significantly compared with the same period of last year, and the overall income of the supplementary business has increased substantially compared with last year. During FY2018, after overcoming the difficulties of scattered stations and lack of utility, Jiuzhou Port started with improving the software and hardware facilities of stations, strengthening the service awareness of staff and optimizing the customer service process, and focused on improving the travel experience of passengers through new technologies and new methods such as Internet and WeChat. The efforts to provide better services to passengers have been recognized by our passengers. Meanwhile, Jiuzhou Port further strengthened safety management, fulfilled its corporate social responsibility, and effectively ensured the safety of passengers entering and leaving Jiuzhou Port by hiring professional security inspection teams and equipping with professional facilities.

3.2 City Energy Supply

Zhuhai Jiuzhou Energy Co., Ltd* (珠海九洲能源有限公司) ("Jiuzhou Energy Company"), a wholly-owned subsidiary of Ferry Company, faced severe challenges in its operation as the domestic and international refined oil market was complex and volatile and the profit of oil products continued to shrink. However, the company took the initiative to grasp the market trend, and vigorously expanded its business scope and business models while consolidating the development of traditional oil products business. It also actively explored and considered a diversified cooperative development model and continuously enriched the service content of gas stations, in order to gradually transform from a single refined oil supplier to an integrated service provider. Zhuhai Jiuzhou Port Petro-filling Station Co., Ltd.* (珠海九洲港加油站有限公司) ("ZJ Port Station") and Zhuhai Shihuadong Resort Petro-filling Station Co., Ltd.* (珠海市石花東度假村加油站有限公司) ("Shihuadong Station"), which are under Jiuzhou Energy Company, cooperated with PetroChina Company Limited ("Petro China") and China Petroleum & Chemical Corporation ("Sinopec"), and through the market practice test, the service awareness and service level have been greatly improved, and the sales volume has maintained a steady and increasing market share in the market. For the product oil retail business, sales volume during FY2018 was approximately 26,000 tons, remaining unchanged as compared to the same period of last year. For the product oil wholesale business, sales volume during FY2018 was approximately 1,277,300 tons, representing an increase of 200% as compared to the same period of last year. In terms of the product oil retail business, Jiuzhou Energy Company won the bid in the open tender for the sourcing project of Zhuhai City Bus Company Limited ("Zhuhai Bus") by virtue of its outstanding company image and market competitiveness, and became the oil product

supplier of Zhuhai Bus; and won the bid in the open tender for the sourcing project of Zhuhai Wanshan Station of Exit and Entry, it also became the sole oil product supplier of Zhuhai Wanshan Station of Exit and Entry. Jiuzhou Energy Company also won the bid for the procurement project in an agreement designated petro-filling stations for the official business vehicles in Zhuhai and became the designated petro-filling stations for the official business vehicles in Zhuhai from 2017 to 2019.

In 2015, for the purpose of achieving the "going out" strategy, Jiuzhou Energy Company entered into a strategic co-operation framework agreement ("Shaoguan Framework Agreement") with its co-operation partners, for the proactive development and operation of an energy supply project (the "Energy Supply Project") in Shaoguan, the PRC. During FY2018, Jiuzhou Energy Company has been further proceeding with the Energy Supply Project. For details of the Shaoguan Framework Agreement, please refer to the Company's announcement dated 10 September 2015.

3.3 Financial Investments

Shenzhen Jiuzhou Holdings Finance Lease Co., Ltd. * (深圳市九控融資租賃有限公司) ("Jiuzhou Holdings Finance Lease Company"), a wholly-owned subsidiary of the Company, commenced its operation during FY2018 and successfully launched the factoring business for commercial bills and commercial factoring business. It also steadily advanced the business development of the financial investment segment. Jiuzhou Holdings Finance Lease Company will facilitate diversified business development. It will also continue to expand the customer base and actively explore new financing channels. It

will strive to achieve synergy with financial institutions to minimise cost of investment and higher corporate efficiency.

During FY2018, Jiuzhou Kingkaid Financial Services Company Limited* (珠海九洲金開貸金融服務有限公司) ("Zhuhai Jiuzhou Kingkaid Company"), a non wholly-owned subsidiary of the Company, built on the foundation of small and diverse charge on assets to promote automobile financing facility business and mortgage loans. It adhered to the strict risk control measures and promoted its business development in an orderly manner.

Possible Risk Exposure and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. During FY2018, the Group further improved the risk management system which covered all aspects including corporate strategies, operation and finance. In future developments, the Group will be highly aware of the following risks and uncertainties and will adopt effective tackling measures proactively. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

1. Risk in Competing Markets

Risk analysis:

The opening of the Hong Kong-Zhuhai-Macao Bridge and upcoming planned Shenzhen-Zhongshan Bridge may have a significant adverse impact on the Group's waterway passenger transport, operating results and financial position.

Tackling measures:

The Group will further determine principal business, and diversify our principal businesses to reduce its reliance on the ferry business; the investment and development department has been striving to identify investment projects for the management to consider and discuss at the management meeting; the investment and development department will collect and prepare market data on a regular basis for overall analysis and reporting to the Board, so that we can adopt measures for any possible challenge arising from the competition in the market; the Group is considering the development of more innovative products to cater for new market needs and increasing lines of existing ferry services to improve service quality to sustain customer loyalty and maintain profitability.

2. Risk of Strategic Planning

Risk analysis:

We face the risk of failure to develop strategic planning or clear strategic planning for the development of the Group and the risk of any deviation from the objectives of our strategies that may cause wastage of corporate resources or failure to meet the strategic goals.

Tackling measures:

The Group collects market data and refines the strategies of development for approval by the Board. When these strategies of development are in place, the implementation and achievement of these strategies will be monitored by our designated personnel. The strategies will be reviewed on a regular basis so as to ensure that these strategies have been updated in response to the changes or actions, if any; the Group will also set targets in relation to its strategic objectives; the Group may consider developing appraisal criteria in line with its strategic objectives.

3. Liquidity risk

Risk analysis:

With respect to the Group's involvement of shipping, real estate, hotel, resorts and public utilities, the Group is required to have sufficient funds for acquisition of proper projects and optimization of assets. Accordingly, the Group's heavy reliance on fund availability may result in its failure to obtain sufficient funds in a timely manner to support its capital increase activities and operational activities, which may result in a risk of fund shortage faced by the Company.

Tackling measures:

The Group will raise funds by bank loans, bonds and equity financing; the Group will make the cash flow projection on the investment project and will monitor closely to take corrective actions, if necessary; the Group will produce a cash flow projection on regular basis to ensure that the Group has sufficient cash to maintain the Company's normal operations; the management will negotiate financing agreement with certain banks to reduce the liquidity risk of the Group; the Group will review the effectiveness of existing projects (including cash flow, profits and risks incurred in relation to the projects) on a regular basis; the Group will strengthen its monitoring of cash flow, analyze the fund flow in the next two to three years, and make a prudent review on short, medium and long-term projects on regular basis.

4. Risk of the Overall Environment

Risk analysis:

The recent years saw global economic downturn. Any material change in political, economic and social conditions in China may have material and adverse effects on business, financial condition and operating results of the Group.

Tackling measures:

The Group is considering developing more innovative products to cater for market needs and increasing lines of existing ferry services to improve service quality to sustain customer loyalty and maintain profitability; we will consider increasing cash flow from existing projects and the gradual recovery of the property management business and will also consider converting commercial buildings into residential buildings; the Group will consider limit of investment plan with regard to risk tolerance.

5. Risk in Project and Cost Management

Risk analysis:

In recent years, the Group has committed to the development of green leisure tourism and composite real estate. Lack of control over the project quality and cost or regular progress monitoring, review and feedback may cause the failure of projects to be proceeded as scheduled.

Tackling measures:

Currently, the Group has formulated relevant policies and procedures to regulate the project investment plan, project bidding and tendering and cost management.

Entering into a Refinance Facility Agreement for a Syndicated Loan of HK$2 billion

On 28 July 2015, the Company, as borrower, entered into a facility agreement ("2015 Facility Agreement") with, among other parties, Malayan Banking Berhad, pursuant to which a term loan facility up to HK$2 billion was granted by the relevant lenders ("2015 Lenders") to the Company for a term of four years from the date of the 2015 Facility Agreement subject to the terms and conditions contained therein ("2015 Facility").

On 15 August 2017, in order to refinance the 2015 Facility in full, the Company, as borrower, entered into a refinance facility agreement ("2017 Facility Agreement") with Wing Lung Bank, Limited ("Wing Lung") as original mandated lead arranger and bookrunner, Wing Lung and twelve other banks as the lenders ("2017 Lenders"), Wing Lung as agent and Jiuzhou Tourist Development Company Limited ("JTD"), Jiuzhou Tourism Property Company Limited ("JTP"), as guarantors, pursuant to which a term loan facility ("2017 Facility") of an aggregate of HK$2 billion was agreed to be granted by the 2017 Lenders to the Company for a term of 48 months from the date of the 2017 Facility Agreement and subject to the terms and conditions of the 2017 Facility Agreement. The interest rate of the 2017 Facility is relatively lower than that of the 2015 Facility. The 2017 Facility in full has been used for the prepayment of the 2015 Facility, and it is expected that it will reduce the Group's finance expenses, increase the Group's economic benefits, and it is believed from which, the Group will be able to gain exposure to utilising offshore financial instruments and thereby promoting its corporate image and supporting the rapid development of the Group's core businesses and the advancement of its projects.

For details of the 2015 Facility Agreement and the 2017 Facility Agreement, please refer to the Company's announcements dated 28 July 2015 and 15 August 2017, respectively.

Pursuant to the 2017 Facility Agreement, it would constitute an event of default of the 2017 Facility Agreement if Zhuhai Jiuzhou Holdings Group Co., Ltd.* (珠海九洲控股集團有限公司) ("ZJ Holdings"): (1) does not or ceases to beneficially own, directly or indirectly, at least 30% of the entire issued share capital of the Company; (2) is not or ceases to be the single largest beneficial shareholder of the Company; and (3) does not or ceases to have management control over the Company. Please refer to the section headed "Loan agreement with covenants relating to specific performance obligations of the controlling shareholder" in the Reports of the Directors.

Outlook

In 2019, the Group will strive to further enhance our expertise in top-level planning with the current internal and external macro environment and industry situation taken into account, aiming to keep the Company on the track of high-quality development in an unwavering manner. In line with the strategic planning of the Company, the Group will continue to improve the quality and efficiency of our business operations while managing our business segments in a down-to-earth manner. We will go all out to achieve sustainable operation and development, and take the whole group into account when considering future development. We will also make concerted efforts to advance our annual tasks. For the coming year, we will strengthen the management and control of the following three sectors:

1. Jiuzhou Blue Sea Jet and Blue Marine Tourism

In response to the impact of the opening of the Hong Kong-Zhuhai-Macao Bridge, the Ferry Company will introduce a series of measures to increase revenue and reduce expenditure. Jiuzhou Longxiang Company will promote the "Internet+" sales model and roll out "new products" while maintaining its efforts in product development and iterative upgrade so as to "retain customers" with diversified operations. Sanya BlueSeajet Tourist Development Co., Ltd.* (三亞藍色幹線旅遊發展公司) will continue to advance the construction of a new type of high-speed passenger ship, aiming to fully revitalize the terminal resources with the "route operation + wedding photography base" model and increase the Company's operating income. Jiuzhou Blue Marine Tourism Development Co., Ltd.* (九洲藍色海岸旅遊開發公司) has completed the renovation of the 6 buildings of phase 3 of homestay, and will increase its marketing efforts by holding or deeply participating in various theme activities. With the establishment of the joint venture company, the Zhuhai Sailing Station

Project has commenced operation. Taizhou Rongyuan Transportation Co., Ltd* (台州市榮遠客運有限公司) has been promoting the tourism resources of Dachen Island and optimizing the allocation of its transportation capacity and route design. Hong Kong-Zhuhai-Macao Bridge Bus Company (港珠澳大橋巴士公司) is an investment company of the Company, who will purchase a total of 57 new buses, of which 40 are double-deckers and 17 are ordinary tourist buses, to complete its supporting facilities. Jiuzhou Cruises Company will build an inland river passenger ship and a coastal passenger ship to solve the problem of insufficient transportation capacity for sightseeing tours, aiming at forging and enhancing the branded route of viewing Zhuhai from the sea.

2. Green Leisure Tourism and Composite Real Estate

Zhuhai Holiday Resort Hotel has completed the renovation of its old main building, the construction of a new hotel in the Liju area, and the design of the villa renovation project, aiming to commence the construction of certain projects as well as the decoration of the new hotel, and ensure the safety, quality and progress of the project for the test opening before the National Day. The preparatory work for the opening of the new hotel has completed, aiming to seize the opportunity arising from the opening the Hong Kong-Zhuhai-Macao Bridge and grab a share of the market. Zhuhai Jiuzhou Property Development Limited* (珠海九洲置業開發有限公司) has been advancing the construction of the new hotel in accordance with the plan, and is working on the investment income calculation, marketing plan and tendering for phase 2 of the project. It has carried out special rectifications in the scenic spot in stages to create a "clean, tidy, safe and beautiful" environment, aiming to improve the appearance and enhance the overall image of the scenic spot, and establish a long-term mechanism for the management of the scenic spot. The overall environment of the Fantasy Water World has been upgraded to enhance the experience of the guests in the scenic area, aiming to further consolidate the brand influence of the Fantasy Water World and improve its revenue. The Cuihu Xiangshan Golf Course will be put into operation to improve the utilization rate of Norman Golf Course, aiming to accommodate more team events and commercial activities, and thus increase the operating income and playing times. ZJ Development Company will officially launch the design work of the ultra-luxury boutique hotel "AHN LUH Hotel" while finalizing the construction of the commercial facilities and educational facilities for the surrounding community as well as the entrusted construction of projects such as Gaolan Port to increase the revenue of the Company.

3. Public Utilities and Financial Investments

Jiuzhou Port Company has taken various measures to increase the income from its properties and continued to expand the value-added services and benefits of its Wechat official account, actively participating in the development of new products such as the Tour to Hong Kong-Zhuhai-Macao Bridge. It further strengthened the staff training and service awareness, optimized the service process, and improved the facilities in the waiting lounge, aiming to constantly improve the competitiveness of Jiuzhou Port's Passenger Station by means of improving the soft power, so as to cope with the challenges brought by the opening of the Hong Kong-Zhuhai-Macao Bridge to our operating environment.

Jiuzhou Energy Company will exert its brand influence, and look for valuable business partners on the premise of ensuring the safety of working capital and business risks under control to expand business coverage. It will focus on market demand, enhance its business sensibility, and take firm steps to steadily increase the scope of business while standardizing its business operations, exploring prospective oil products for the expansion of its wholesale business of oil products.

Jiuzhou Finance Leasing Company (九洲融資租賃公司) will actively develop its financial leasing business and expand its customer groups to promote the diversified development of its business. It will also expand the financing channels and reduce financing costs to increase its revenue, aggressively explore the customer development and management tactics which is beneficial for its business development and successful competition, and establish multi-level customer maintenance models, snatch new customers in a well-planned and targeted manner to expand its customer base.

In addition to the investment in and control over the three major business segments, we have set four major targets:

1. Investment

The Company will strengthen its efforts in refining the database for the projects and post-investment management by developing its post-investment management system with the collaborations of various departments so that it will be able to keep track of the recent situations and significant developments in coming up with targeted recommendations that suit the real situations of the projects.

2. Finance

The Company will strengthen its efforts in financial management in an active manner on Cuihu Xiangshan Project, the New Hotel Project, general working capital and other issues. The Company will maintain active communication with financial institutions to gain access to a wider range of financing channels and fund our projects with the best financing plans so that the projects will advance with good progress at low finance expenses.

3. Risk Management and Internal Control

The Company will refine the performance assessment and management systems of the companies of the Group. It will also organise regular meetings on analysis of their operations. Starting from further implementation of its Compiled Internal Control Systems, the Company will go on to strengthen its efforts in developing risk management and internal control systems for the Group.

4. Human Resources

The Company will push forward human resources sharing among the Group. It will actively explore any possible way of managing employees assigned to work overseas and refine the relevant measures. The Company will implement the relevant group-wide system of regular performance assessment.

Updates on disputes in respect of the earnest money paid by the Group

A letter of intent ("Letter of Intent") in relation to the possible acquisition of 80% of the issued share capital in a company ("Target Company") was entered into in August 2008 (as amended and supplemented) by the Group with a possible vendor ("Possible Vendor", being an independent third party of the Company). The Target Company then owned a wholly foreign-owned enterprise established in the PRC. Pursuant to the Letter of Intent, earnest money ("Earnest Money") in the amount of RMB26 million was paid by the Company to the Possible Vendor. The repayment of the Earnest Money was secured by, among others, certain pledge created by the Possible Vendor over certain shares of the Target Company ("2008 Share Charge") and a loan assignment executed by a company owned and controlled by the Possible Vendor, both in favour of the Company.

Since the Company could not reach agreement with the Possible Vendor on the terms of the proposed acquisition after undertaking detailed due diligence review on the Target Company, the Company decided not to proceed with the proposed acquisition and the Letter of Intent was terminated accordingly. However, the Possible Vendor refused to refund the Earnest Money to the Company. As such, legal proceedings were instituted against the Possible Vendor for the refund of the Earnest Money. In this connection, receivers ("Receivers") were also appointed by the Company under the 2008 Share Charge.

Trial of the case was conducted in the Court of First Instance of the High Court of Hong Kong in May 2012. Judgment ("CFI Judgment") was delivered on 7 June 2012. Written reasons for the CFI Judgment were handed down on 19 June 2012. The CFI Judgment was awarded in favour of the Company.

In June 2012, the Possible Vendor and related parties ("Appellants") applied for appeal to the CFI Judgment. The appeal was heard before the Court of Appeal on 10 September 2013 and judgment ("CA Judgment") was handed down on 27 September 2013. Save for an order in the CFI Judgment be substituted with an order that the Company be paid HK$30 million (instead of the Hong Kong dollars equivalent of RMB26 million) with interest at the best lending rate of Hong Kong banks from 27 May 2009 to 7 June 2012, the appeal was dismissed with costs in the Company's favour and the CFI Judgment was upheld.

No further appeal against the CA Judgment was filed by the Appellants. For the financial year ended 31 December 2013, a total sum of approximately HK$40.8 million was received by the Company in partial satisfaction of the CA Judgment, which includes (1) full payment of the Earnest Money with interest thereon and (2) partial payment of agreed costs and interest thereon payable by the Appellants to the Company. For the financial year ended 31 December 2014 ("FY2014"), a further total sum of approximately HK$2.2 million was received by the Company as partial payment of agreed costs and interest thereon payable by the Appellants to the Company. The Company will soon proceed to assess its damages against the Appellants pursuant to the CFI Judgment and the CA Judgment. Based on the legal advice obtained from its legal advisers, they will liaise with the Receivers when necessary and will proceed to fix the assessment of damages hearing as and when appropriate.

The Company was informed that the Possible Vendor commenced legal proceedings in the PRC against the Receivers for personal liabilities in the sale of certain assets which indirectly belonged to the Target Company. Judgment of such proceedings was given in favour of the Receivers in the first round, and an appeal made by the Possible Vendor was also dismissed.

The Company was also informed that in August 2013, the Target Company commenced proceedings in Hong Kong against the Receivers for recovery of loss in respect of the sale of the assets of the Target Company as mentioned above.

So far as the Company is aware, the Company has not been named as a party to any such proceedings brought against the Receivers. However, the Company cannot preclude the possibility of being subsequently named as a party to any of such proceedings. The Company has received requests from the Receivers to seek indemnity from the Company for certain liability (including costs) falling upon the Receivers in connection with the exercise of their powers under the 2008 Share Charge. As advised by the Company's legal counsel, the Receivers have yet to substantiate its demand for such indemnity from the Company, the Company therefore believes that no provision has to be made in such connection for the time being.

For details of the above matters, please refer to the Company's announcements dated 10 September 2008, 20 July 2009, 21 June 2012, 2 October 2013 and 24 January 2014 respectively, and the Company's annual reports for 2011, 2012, 2013, 2014, 2015, 2016 and 2017 and its interim report for 2018.

The Company will closely monitor the development of the matter. Where necessary, the Company will make announcement to inform shareholders and investors of any material development.

Liquidity and Financial Resources

Except for the issue by the Company of (1) a promissory note ("Promissory Note") in relation to the acquisitions of Lamdeal Consolidated Development Limited and Lamdeal Golf & Country Club Limited, (2) the convertible bonds with an aggregate value of HK$500 million to PA Bloom Opportunity III Limited and Prominent Investment Opportunity IV Limited pursuant to a subscription agreement dated 10 April 2013 (the "Convertible Bonds"), and (3) the financing obtained for payment of the remaining land price for the Cuihu Xiangshan Project, in 2013, the Group generally finances its operations with internally generated cashflow and bank borrowings provided by its principal bankers.

As disclosed in the section headed "Management Discussion and Analysis – Entering into a Refinance Facility Agreement for a Syndicated Loan of HK$2 billion" of the annual report in 2015, the Company entered into the facility Agreement with the 2015 Lenders pursuant to which the facility was agreed to be granted by the 2015 Lenders to the Company for a term of four years from the date of the 2015 Facility Agreement, subject to the terms and conditions contained therein.

On 15 August 2017, the Company, as borrower, entered into the 2017 Facility Agreement with the 2017 Lenders and JTD, JTP, as guarantors, pursuant to which the 2017 Facility was agreed to be granted by the 2017 Lenders to the Company for a term of 48 months from the date of the 2017 Facility Agreement and subject to the terms and conditions of the 2017 Facility Agreement for refinance of the 2015 Facility. The 2017 Facility is secured and with a floating interest rate. As at the date of the annual report in 2017, the Company has drawn down HK$2,000 million from the 2017 Facility and repaid for the 2015 Facility in full. For details of the 2015 Facility Agreement and the 2017 Facility Agreement, please refer to the Company's announcements dated 28 July 2015 and 15 August 2017, respectively.

On 18 July 2017, JPD Company entered into a project facility loan agreement ("Project Facility Agreement") with a bank in the PRC as lender ("Bank Lender") pursuant to which a project facility ("Project Facility") of up to RMB300 million was agreed to be granted by the Bank Lender to JPD Company for a term of twelve years from the date of the Project Facility Agreement. The Project Facility is secured and with a floating interest rate. As at the date of this annual report, JPD Company has drawn down RMB86.0 million from the Project Facility.

The Group's time deposits and cash and cash equivalents as at 31 December 2018 amounted to approximately RMB982.5 million (31 December 2017: RMB1,913.3 million), of which approximately RMB766.4 million (31 December 2017: RMB1,599.3 million) were denominated in RMB, approximately RMB216.1 million (31 December 2017: RMB314.0 million) were denominated in Hong Kong dollars.

As at 31 December 2018, trade receivables amounted to RMB923.1 million (31 December 2017: RMB113.7 million). Increase in trade receivables was mainly due to the increase in the relevant trade receivables of fuel wholesale business under the city energy supply segment.

In addition, the Group held securities measured at fair value through profit or loss of approximately RMB0.5 million as at 31 December 2018 (31 December 2017: RMB0.6 million), all of which RMB0.5 million were denominated in Hong Kong dollars (31 December 2017: RMB0.6 million). The securities measured at fair value through profit or loss comprised some listed securities in Hong Kong.

During FY2018, the Group has subscribed for wealth management products of China Citic Bank, Zhuhai Branch ("China Citic Wealth Management Products") in an aggregate amount of RMB280 million, Wealth management products of Bocom, Zhuhai Branch ("Bocom Wealth Management Products") in an aggregate amount of RMB100 million and Wealth management products of Ping An Bank, Zhuhai branch ("Ping An Wealth Management Product") in an aggregate amount of RMB50 million. As at 31 December 2018, RMB50 million of the Ping An Wealth Management Products remain outstanding, as the terms of which have not ended in accordance with their respective agreements prior to 31 December 2018. Interests received from the China Citic Wealth Management Products, Bocom Wealth Management Products and Ping An Wealth Management Products amounted to approximately RMB3.6 million. Please refer to the Company's announcements dated 25 January 2018, 12 July 2018 and 28 September 2018 for information in relation to the China Citic Wealth Management Products and Bocom Wealth Management Products.

The Group had no current financial assets at fair value through other comprehensive income as at 31 December 2018 (31 December 2017: Nil).

Total interest-bearing bank borrowings amounted to approximately RMB2,848.2 million as at 31 December 2018 (31 December 2017: RMB2,768.3 million).

The Group's gearing ratio was 0.64 as at 31 December 2018 (31 December 2017: 0.31), which is net debt divided by total shareholders' equity plus net debt. Net debt included interest-bearing bank and other borrowings, trade and bill payables, accrued liabilities and other payables, construction payables, amounts due to a major shareholder and related companies less restricted bank balances, time deposits and cash and cash equivalents.

As at 31 December 2018, the Group had a current ratio of 1.29 (31 December 2017: 1.31) and net current assets of RMB1,724.6 million (31 December 2017: RMB1,621.6 million).

As at 31 December 2018, interest-bearing bank borrowings that were outstanding amounted to RMB2,848.2 million (31 December 2017: RMB2,768.3 million), which mainly comprised of (1) principal amount of RMB702 million with the final maturity date falling due in 2019; (2) principal amount of RMB860 million with the final maturity date falling due in 2020; (3) principal amount of RMB1,237 million with the final maturity date falling due in 2021; (4) principal amount of RMB30 million with the final maturity date falling due in 2022; and (5) principal amount of RMB26 million with the final maturity date falling due in 2023.

As at 31 December 2018, the Company had no outstanding amount payable pursuant to the Promissory Note and the Convertible Bonds (31 December 2017: Nil). Both the Promissory Note and the Convertible Bonds were fully redeemed by the Company in 2016.

From the issue date to 24 November 2018, the expiry date of the warrants, no warrantholder had exercised the warrants (the "Warrants") issued pursuant to the subscription agreement dated 18 November 2013.

On 28 March 2018, the Company, as borrower, entered into a term loan facility agreement ("March Facility Agreement") with a bank, pursuant to which the bank has agreed to grant to the Company a term loan facility of up to HK$200 million having the final maturity date falling 36 months from the date of the March Facility Agreement. Please refer to the Company's announcement dated 28 March 2018 relating to the March Facility Agreement and the Company's disclosure pursuant to Rule 13.18 of the Listing Rules for information.

On 28 February 2019, the Company, as borrower, entered into a revolving loan facility agreement ("Facility Agreement") with a bank pursuant to which the bank has agreed to grant to the Company, a revolving loan facility up to HK$250 million having the final maturity date of falling 3 years from the date of the Facility Agreement.

Please refer to the Company's announcement dated 28 February 2019 relating to the Facility Agreement and the Company's disclosure pursuant to Rule 13.18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") for information.

Number and Remuneration of Employees

At the year end, the Group had approximately 2,209 employees. During FY2018, the level of our overall staff cost was approximately RMB281.4 million (2017: RMB275.8 million).

The Group operates and maintains defined benefit pension plans. According to the plans, the Group makes pension payments to its retired employees till their death with reference to their respective positions at the time when they retire. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including discount rate, employee turnover rate and mortality rate and etc. The latest actuarial valuation of the defined benefit pension plans was made as at 31 December 2018 by Danny Quant, Fellow of the Institute and Faculty of Actuaries (FIA), of Milliman Private Limited. As at 31 December 2018, the Group's aggregate defined benefit obligations was approximately RMB122.8 million (31 December 2017: RMB95.8 million).

Remuneration of employees is determined and reviewed annually with reference to the market standard, individual performance and working experience, and certain staff is entitled to commission and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, staff benefits including discretionary bonus, contributory provident fund or mandatory provident fund, and professional tuition/training subsidies in order to retain quality employees.

Dividend

The Board has recommended the payment of a final dividend of HK2 cents per share absorbing a total amount of approximately HK$28,556,000 (approximately RMB25,021,000) (2017: HK$28,556,000, approximately RMB24,701,000) for FY2018 to the shareholders whose names shall appear on the register of members of the Company on Thursday, 4 July 2019. Subject to the approval of the shareholders at the forthcoming annual general meeting to be held on Tuesday, 25 June 2019, the final dividend will be payable on Tuesday, 16 July 2019.

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities in respect of financial guarantees on mortgage facilities for certain purchasers of the Group's properties amounted to approximately RMB3,013.1 million (2017: RMB2,632.6 million). Except for these financial guarantees as disclosed above, the Group had no material contingent liabilities as at 31 December 2018 (2017: Nil).

Future Plans for Material Investments or Capital Assets

As at 31 December 2018, the Group had no future plans for material investments or capital assets except for those disclosed under the heading "Management Discussion and Analysis – Outlook" as stated aforesaid.

Charges on assets

As at 31 December 2018, land use rights and properties under development of lot S4 of Cuihu Xiangshan Project with an aggregate carrying value of approximately RMB993.8 million (31 December 2017: land use rights and properties under development of lot S4 of Cuihu Xiangshan Project with an aggregate carrying value of approximately RMB763.6 million) were pledged (together with the Company's guarantee given for part of the repayment obligation) in favour of an independent third party (the "Third Party") to secure a loan of up to approximately RMB650 million (31 December 2017: RMB900 million) from the Third Party pursuant to the loan and collateral agreements dated 10 August 2016 entered into between, among others, ZJ Development Company and the Third Party.

As at 31 December 2016, the repayment obligation of the Company under the 2015 Facility was secured by a charge ("2015 Share Charge") over 15,600 ordinary shares in JTD ("JTD Shares") and 100 ordinary shares in JTP ("JTP Shares"), representing the entire issued share capital of JTD and JTP, and a charge over a bank account of the Company ("Bank Account Charge") in favour of the facility agent ("2015 Agent") on behalf of the 2015 Lenders. On 28 August 2017, a deed of release was entered into between the Company, as chargor and the 2015 Agent on behalf of the 2015 Lenders as chargee to release the 2015 Share Charge over JTD Shares, JTP Shares and the Bank Account Charge and discharge such security interest created under the 2015 Share Charge and the Bank Account Charge.

As at 31 December 2017, the repayment obligation of the Company under the 2017 Facility was secured by a charge over a bank account of the Company in favour of Wing Lung as the 2017 Facility agent on behalf of the 2017 Lenders.

As at 31 December 2018 and up to the date of this annual report, property comprises 82 blocks of villa, a recreational complex, a health centre, a shopping arcade, a basement car park and various ancillary facilities of Zhuhai Holiday Resort Hotel with a total gross floor areas of approximately 30,136.19 sqm and an aggregate carrying value of approximately RMB52.0 million included in property, plant and equipment were pledged (together with the Company's guarantee given for part of the repayment obligation) in favour of the Bank Lender to secure the Project Facility from the Bank Lender pursuant to the Project Facility Agreement and collateral agreement dated 18 July 2017 entered into between, among others, JPD Company and the Bank Lender.

Foreign Exchange Exposure

Most of the businesses of the Group are operated in Mainland China, and most of the revenues and costs were denominated in RMB or Hong Kong dollars. And the assets and liabilities of the Group are mostly denominated in RMB or Hong Kong dollars. The management does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge the foreign exchange risk.

Capital Structure

As at 31 December 2018, the number of issued ordinary shares was 1,427,797,174 shares (31 December 2017: 1,427,797,174 shares) in aggregate and the shareholders' equity of the Group was approximately RMB1,946.8 million (31 December 2017: RMB1,846.6 million). The increase in the shareholders' equity of the Group during FY2018 was mainly attributable to increase in profit for the year.

As at 24 November 2018, the Warrants at the issue price of HK$0.023 per Warrant pursuant to a subscription agreement dated 18 November 2013, expired.

On 28 March 2018, the Board recommended the payment of a final dividend of HK2 cents per ordinary share of the Company ("2017 Dividend") in respect of FY2017. The shareholders of the Company approved the payment of the 2017 Dividend at the annual general meeting of the Company held on 25 May 2018. In light of the declaration of the 2017 Dividend, pursuant to the respective terms and conditions of the Warrants, the subscription price of the Warrants was adjusted from HK$1.64 to HK$1.61 per share. Details of the adjustment of the subscription price of the Warrants are set out in an announcement of the Company dated 19 June 2018.

During FY2018 and up to the expiry date, no subscription notice has been received in respect of the exercise of subscription rights attached to the Warrants.

Share Option Scheme

The share option scheme (the "Share Option Scheme") was adopted by ordinary resolution passed by the shareholders of the Company on 28 May 2012. Under the Share Option Scheme, the directors of the Company may grant options to subscribe for shares of the Company to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries.

During FY2018, no share option was granted, exercised, cancelled or had lapsed under the Share Option Scheme. Moreover, the Company had no share options outstanding as at 31 December 2018.

Significant Investments Held, Material Acquisitions and Disposals

During FY2018, there was no significant investment held, material acquisition or disposal of investment, subsidiary or associated company, except for those disclosed under the heading "Management Discussion and Analysis" as stated aforesaid.

About the Report

Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (collectively, the "Group") are pleased to present this Environmental, Social and Governance ("ESG") Report.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited in 2015. The scope of the report covers our major operations in Mainland China and Hong Kong, such as ferry services, public utilities, hotel services and property development. Thus, the report provides an overview of our ESG management approach, related initiatives and environmental performance indicators during the period of 1 January 2018 to 31 December 2018.

During the year 2018, the Company continued to commit to the sustainable development of its business and create long-lasting values for our stakeholders, which includes our employees, customers, shareholders, business partners and the community. Stakeholders are communicated by us through various channels on an ongoing basis, with the goal of understanding their expectations and feedback in regards to sustainable development. The key ESG interests and concerns of stakeholders are identified and addressed in this report. Compared to last year, this year's report discloses more information about our key stakeholders and our engagement activities with them.

For further details of the Group's compliance with relevant laws and regulations, please refer to the information under the paragraph titled, "Environmental policies, performance and compliance with laws and regulations", where the section headed "Report of the Directors" forms part of this ESG Report.

Stakeholder Engagement

Our stakeholder engagement helps ensure that we consider a diverse range of perspectives as we seek to meet the needs of our customers, add value for shareholders, provide fulfilling careers for our employees, and contribute to building a vibrant local economy and civic pride.

We recognise the benefits of openly and actively engaging our stakeholders, who include customers, shareholders, employees, business partners, regulators, suppliers and the media.

Key Stakeholders	Engagement Channels
Customers	• Daily operations and interactions • Customer satisfaction surveys • Corporate website
Shareholders	• Annual General Meeting and other meetings • Corporate communication including circulars, notifications, result announcements, annual and interim reports
Employees	• Regular employee meetings and gatherings • Training, seminars and workshops • Performance and development discussions • Volunteering activities
Business partners	• Meetings and seminars • Site visits
Regulators	• Circulars or guidelines • Ad-hoc enquiries
Suppliers	• Supplier evaluations and performance reviews • Site visits and meetings
Media	• Management interviews and meetings • Results announcements
Communities	• Volunteering activities • Sponsorship and donations • Community outreach

Environment Protection

Emission

The Group is dedicated to minimising its environmental impact by continuously looking to improve its energy efficiency, minimise its greenhouse gas (GHG) emissions and waste discharges.

Each business segment of the Group has taken extensive action to reduce GHG emissions throughout its operations process, starting from the earlier planning stages. In public utilities, fuel transportation and storage are key operations that allow fuelling stations to serve customers every day. Measures are taken to prevent leaks at our fuelling stations through well-designed, well-maintained and properly operated equipment. To prevent soil and ground water pollution resulting from gasoline and diesel leakages, we have adopted the use of two-compartment oil tanks and implemented an enhanced oil and gas recovery system, leading to gas and diesel leakage reduction by 99%. In order to minimise the fuel usage and wastage, we have implemented a strict monitoring system towards the use of truck tankers. A GPS system is installed in truck tankers, monitoring the different driving routes taken, thus effectively reducing the excess fuel required from unnecessary travel by choosing the shortest route. We have also obtained the Sewage Discharge Permit for all of our gas stations, thus minimising the amount of excess fuel required for different operational processes.

The day to day operations of the ferry services may involve unintentional release of hydrocarbon emissions. To curb these fugitive emissions, Zhuhai High-speed Passenger Ferry works to mitigate environmental impacts and strictly follow all regulations set out by the local government and the International Maritime Organisation. Maintenance and testing are undertaken regularly in our maritime transportation service to maintain operational efficiency and reduce air and GHG emissions. During 2018, an incentive programme was launched to encourage reduction in fuel consumption, which resulted in a saving of around 2.6 million litres of marine diesel oil. Furthermore, ferry services also set a target to reduce emissions by 3% per annum over the next 5 years.

Our Zhuhai Holiday Resort Hotel has also achieved remarkable results through its ongoing energy conservation checks and investment in the Green Fund. We have continued the tradition and invested over RMB1 million to support different environmental conservation initiatives in 2018. Aside from replacing old lightbulbs with LED lightbulbs in our guest rooms and restaurants, energy-saving and technological-advanced models would be first considered during the purchase of new equipment. The housekeeping department also encourages long-stay hotel guests to reduce the frequency of linen and towels replacement, thus reducing water and detergent consumption. Furthermore, the engineering department switched the fuel type used from diesel oil to natural gas for some hotel kitchen equipment to reduce GHG emissions during the year. Compared to last year, energy consumption in the hotel has been reduced by 3 tonnes of standard coal and our Hotel operations also achieved a reduction of 7% in carbon emission.

Banquet remains one of the major sources of waste in our Hotel's operations. To facilitate sustainable food waste management and promote food waste recycling, we have co-operated with various pig farms to collect and recover the generated food waste to produce pig feed. Throughout the sustainable programme, over 12,000 kg of food waste was recovered to produce pig feed every month. This greatly reduces waste disposal to landfill and the environment from our hotel's operation.

Numerous plans have also been adopted to minimising waste generated within the Group and its subsidiaries. For example, we have collected and offered old office, security and surveillance equipment to underprivileged communities. In addition to donations, we have implemented waste recycling policies, in which old furniture in our hotel will be repaired, sent and reused in the back office.

Use of Resources

In 2018, the Group has continued to implement its plan for efficient use of resources. We have purchased and replaced energy-saving equipment; for example, our Hotel replaced around 1,100 lighting units with energy-saving LED lights and replaced old refrigerator models in several restaurants with new, more energy-saving ones. Furthermore, efficient usage of paper sources and other printing materials have also been actively encouraged in the Group. We do not only encourage double-side printing, but also support the use of network printers and binding machines.

Our Hotel continues to utilise an online platform that monitors electricity usage. This platform was first introduced by Zhuhai Science, Technology, Industry, Trade and Information Technology Bureau. In addition, the Group strictly abides to the guidelines and targets set by 珠海市海洋農業和水務局 (Zhuhai Branch of Marine Fisheries and Water*). Our Hotel collects rainwater through its artificial lake and reuses it in different water-based activities, such as watering plants and toilet flushing to reduce our fresh water consumption.

The Environment and Natural Resources

The Group endeavours to minimise the environmental impact of our operations through robust measures. In our Hotel operation, procurement and use of pesticides have been replaced by artificial weeding. Furthermore, we have also developed a plan to procure half of our paper supply from sustainable sources.

Our property development business has established a dedicated working group and "Construction Site Air Pollution Control Action Notice" in order to prevent the dust and other emission that pollute the environment. Project managers act as chairmen to initiate the different ventures that minimise air emissions released to the surrounding environment. Furthermore, we work to supervise and manage all our subcontractors and business units to be in full compliance with the circulated notice on the prevention and control of atmospheric pollution caused by construction dusts. Relevant parties would have to ensure

- Construction site is fully enclosed
- Unused sand is fully covered
- Construction site is fully hardened
- Demolition projects are fully sprinkled with water to minimise construction dust
- Vehicles are fully washed and cleaned before departing from the construction sites
- Bare soil in construction sites are fully covered with greenery

In the future, the Group will continue to adopt different energy, gas and water-saving initiatives, such as replacing old water-supply facilities with new, water-saving equipment and using energy-saving appliances in our daily operation to minimise environmental impacts.

Environmental KPIs	Unit	2017	2018
Nitrogen oxides (NOx) emissions	tonne	0.66	**3.68**
Sulphur oxides (SOx) emissions	tonne	0.24	**0.25**
Particulate matter (PM) emissions	tonne	0.06	**0.28**
Total greenhouse gas (GHG) emissions	tonne CO_2e	65,456.34	**65,680.43**
Scope 1 – Direct emissions and removals	tonne CO_2e	52,483.06	**53,439.93**
Scope 2 – Energy indirect emissions	tonne CO_2e	12,973.28	**12,240.50**
Total non-hazardous waste produced	tonne	950.00	**994.20**
Total energy consumption	MWh	180,738	**186,271**
Total direct energy consumption	MWh	166,257	**171,642**
Petrol	MWh	378	**387**
Diesel	MWh	165,253	**168,766**
Natural gas	MWh	627	**2,490**
Total direct energy consumption intensity	kWh/Revenue RMB'000	43.34	**18.56**
Total indirect energy consumption	MWh	14,481	**14,630**
Purchased electricity	MWh	14,481	**14,630**
Total indirect energy consumption intensity	kWh/Revenue RMB'000	3.77	**1.58**
Water consumption	m^3	463,118.00	**319,133.11**
Water consumption intensity	m^3/Revenue RMB'000	0.12	**0.03**

Employment and Labour Practices

Employment

We believe our people are an important asset, thus we have developed comprehensive human resource policies in respect to areas such as recruitment, promotion, working hours, and equal opportunity to safeguard our employees' rights and benefits. In addition to our strict compliance towards the Labour Law of the People's Republic of China, the Group also strongly abides to relevant local laws and regulations in areas they operate. The Group works to ensure every employee is paid no less than the minimum wage set in Zhuhai City. We adopt fair and equal principles in the hiring process; age and gender of applicants will not affect their chances of being hired. In addition, we reward our staff based on their year-end performance reviews. This not only encourages our employees to aim and work at their best, but also ensures their hard work and efforts are recognised.

In order to stay competitive and retain talents, the Group is regularly benchmarking its remuneration packages with the market. In addition, we also conduct continuous evaluations to optimise our employees' compensation system, to ensure relevant promotion opportunities and satisfactory benefits are provided to our staff, this is evident in our hotel business, where a broadband salary structure has been established. Positions are divided into eight different levels, each level having equal opportunity for promotion. The option for reallocation is also provided to our staff to ensure transparency and fairness.

The Group is also dedicated to promoting a healthy work-life balance atmosphere within its operations, hence different leisure and outdoor activities such as sports competitions and regular hiking activities are organised for our staff to participate in. Different internal activities such as birthday celebrations, Christmas party and reunion dinners have also been organised within the Group and across its subsidiaries to boost team cohesion, morale, and understanding.

Health and Safety

Protecting the health and safety of our employees has always been one of the mission of the Group. Occupational health, safety and wellbeing of our staff is considered as one of the utmost important issues within the organisation. Therefore, besides the provision of safety trainings for our new hires, we have also invited professionals and different government units to conduct annual safety workshops, so as to raise the occupational health and safety awareness of our employees. For example, our hotel business invited traffic police and fire services officers to provide safety awareness training to our employees during the year. The Group has also been working to adhere to the different labour laws and regulations. Whenever an accident or work-related injury happens, employees are required to report to their supervisors immediately, ensuring proper actions are taken at first response. In the public utilities business, we conduct safety checks and inspections on a regular basis to ensure relevant health and safety requirements and standards are met at our premises. We have also organised annual body checks for our employees to ensure they are in a healthy condition to carry out daily tasks. Also, we organised seminars for our female hotel employees to enhance their knowledge towards healthy living.

We have also implemented complete policies and procedures to guide our employees in proper identification, management and mitigation towards occupational health and safety risks. Furthermore our ferry services are also in full compliance to international health and safety standards, including the International Regulations for Preventing Collisions at Sea (1972) and International Safety Management Code to ensure safe operation. A leading group and a safety management system, which has passed the certificate by China Maritime Safety Administration, has been set up and put in place to ensure safe production. To eliminate operational risks and raise our employees' awareness towards workplace safety, our hotel business has established an inspection team to conduct regular inspections of the working environment. In addition, annual fire drills and competitions that relate to operational safety skills have also been conducted for our employees to raise their awareness of workplace safety.

Training and Development

Talent development has been considered one of the key components for the Group to sustain its competitive edge in the market. Hence, a wide range of job-related training programmes that matches the needs, working level and job duties of our employees are offered. Furthermore, in addition to the mandatory new-joiner training, regular operational trainings have also been offered to our employees to replenish their technical knowledge and soft skills required for their day-to-day operations. For example, we have launched a series of large-scale training activities in our Hotel, including the "Staff of the Month – Service", "Staff of the Month – Technical Ability" and "Basic Hotel Knowledge and Measurable After Quiz" to encourage and nurture improvement in our employees' services. Over 1500 employees have attended 60 training sessions in total within 2018.

Our maritime business also provides various trainings such as new staff induction, safety management system, and maritime operational, navigational and other refresher trainings for employees to ensure professional requirements are met and offer opportunities for promotion and career advancement. In addition, during 2018, our property development business organised a series of technical and managerial trainings covering procurement and tendering, costing management, safety management and construction management.

Moreover, to further sharpen the talent development processes, we have been working to offer more internship opportunities to students from universities and professional institutions so that they can gain a deeper insight in regards to the business and industry of the Group. For instance, our public utilities business has initiated a rotational program that allows outstanding employees to be selected and rotated amongst different departments within the company. This ensures our elite employees gain a full understanding of the company's function.

Labour Standards

The Group upholds high labour standards throughout our businesses. The use of child or forced labour in our operations is strictly prohibited, and we expect our suppliers to follow and apply the same standard of labour practices throughout their operations. The Employee Code of Conduct and the Employee Handbook are widely distributed to standardise different employee management procedures. To ensure they are at the legal working age, the Group strictly requires our applicants to provide household registry and Proof of identity.

We do not force or encourage our employees to work overtime, but appropriate allowance that meets legal requirements is provided if necessary. Our maritime business has established a labour union and workers' congresses so employees' benefits and interests could be better understood and responded to.

Supply Chain Management

The Group interacts with a network of suppliers and service providers to source its goods and services. We work to exert a positive influence on our supply chain. Thus, numerous internal policies that regulate our procurement practices, such as the Procurement Management Guidelines, have been established to ensure we are fully abiding to regulatory requirements at all levels, including the "Measures for the Control of Processed Oil Market" that regulates our trading and risk related management procedures. Clear instructions and guidelines are also in place for our selection of suppliers. The Group is dedicated to working only with suppliers that align with our sustainability and ESG standards and visions. Taking an additional step, our public utilities business has also leveraged the technology possess and developed a business information system which completes the supplier management system.

The Suppliers' Code of Conduct has been issued to all of our vendors and service providers. To maintain the high quality service of our suppliers, regular assessments and evaluations are carried out to guarantee that they are in full compliance with relevant manuals. Our hotel business conducts bi-annual assessments and evaluations to search for suppliers that have an acute environmental awareness. Our ferry service business also performs evaluations of suppliers' qualifications regularly. Those who fail to pass the assessments will be disqualified, hence leading to their contract not being renewed.

Product Responsibility

Our customers' safety is considered as one of the Group's top priorities, thus we are dedicated to providing high quality yet safe services to all our customers. Policies and systems are in place to maintain the high reliability of our services. In our ferry service business, we abide to the safety management system and standardised different production and operation processes, which allows our ships and defected fleets to be effectively managed and controlled. This helps to increase accident prevention and minimises any potential risks that may affect our customers' safety or our service's reliability. Training is conducted regularly for employees to enhance their understanding of the Employee Handbook. In our public utilities business, we conduct regular product inspections to ensure the quality of our products supplied to customers.

Customer feedback is vital to our pursuit of service excellence. We actively engage and communicate with our customers and stakeholders through various channels to understand their expectations and collect their feedback. A comprehensive complaint handling mechanism has been developed and put in place to ensure customers' complaints are handled by relevant departments immediately. In addition, customer data and personal information is also handled carefully in a serious manner. It is only accessible by authorised personnel and disclosed on a need-to-know basis.

Anti-Corruption

The Group operates with high standards of integrity, transparency and accountability. We have zero-tolerance for any forms of bribery, corruption and unethical practices. To extend our responsibility, our suppliers are also constantly reminded of our stance in regards to anti-corruption, anti-bribery and anti-money laundering. Whistle-blowing mechanisms have been put in place to allow employees and third parties to report suspicious cases in a confidential manner.

Our property development service has established strict operational guidelines, which includes business payments, office supply procurements, guest reception and business car use. Procedural manuals, including the Guidelines for Construction Project Management have been drafted and implemented in our Hotel to prevent potential misconduct or impropriety. A supervising team that consists of professionals and auditors has also been established to manage and carry out regular inspections towards different large-scale projects. To avoid conflict of interests, regular workshops are held to ensure our anti-corruption principles and initiatives are well communicated to all of our employees. Furthermore, our public utilities business has adopted a branched management system, where any type of transaction would have to undergo multiple audits to prevent any form of bribery. For example, multiple layers of approvals and segregation of duties across different departments are established in the procurement processes to avoid possible conflict of interests.

Community Investment

The Group is dedicated towards giving back to communities in which it operates. In this year, super typhoon Mangkut caused serious damage to Mainland China and Hong Kong. As such, employees across the Group have come together as teams to assist local rescues. For example, employees from our property development business volunteered and assisted the Zhuhai local government's disaster relief efforts. Furthermore, cash and necessary resources, such as food and water, have also been donated as relief to those who are in need.

Volunteering teams have been established to visit elderly homes and participate in different charity events. Clothing and cash is also donated on a regular basis to act as a relief for the underprivileged. Numerous fund raising activities have been organised within 2018 to support initiatives, which includes but not limited to, the renovation of damaged property and the provision of educational funds to bring village children back to school. Also, we have been actively giving away our unused or outdated surveillance equipment and office supplies to help the underprivileged communities. Our hotel business has also donated RMB518,000 as well as organised collection of old books and clothes for donation to charities in need.

Regulatory Compliance

The Group is committed to ensuring its businesses are operated in compliance with relevant laws, rules and regulations. Regulatory frameworks within which the Group operates are analysed and monitored; internal policies are prepared and updated accordingly. Workshops or trainings are also conducted where necessary to strengthen the awareness and understanding of the Group's internal controls and compliance procedures.

We did not observe any forms of non-compliance with laws and regulations within the reporting period that may cause a potential impact on the Group's operating areas, such as environmental protection and conservation, employment, labour practices, operational and organisational activities.

DIRECTORS AND SENIOR MANAGEMENT


Executive directors

Mr. Huang Xin, aged 53, was appointed as an executive Director in July 2006. He is chairman of the Board and chairman of the nomination committee of the Company with effect from 19 January 2015. Mr. Huang was also the chief executive officer of the Company from July 2006 to August 2015. Mr. Huang is also currently the chairman of the board of directors and legal representative of Zhuhai Jiuzhou Holdings Group Co., Ltd.* (珠海九洲控股集團有限公司) ("ZJ Holdings"), a substantial shareholder of the Company. He holds a doctorate and obtained a title of senior economist from the Ministry of Finance of the People's Republic of China and was invited as visiting professor and researcher of a number of universities. Mr. Huang previously worked with Ministry of Finance, China Trust and Investment Corporation for Economic Development and China Cinda Asset Management Corporation. He served as secretary to general manager, secretary to the board of directors, general manager of securities business department, deputy general manager of Beijing Enterprises Holdings High-tech Development Co., Ltd., executive director and general manager of Winghap (Macao) Company Limited, executive director and general manager of East Sea International (Macao) Company Limited, deputy chairman and general manager of Zhuhai Heng Fok Machinery & Electric Industrial Company Limited and general manager of ZJ Holdings. Mr. Huang is a representative of the 13th People's Congress of Guangdong Province. He has over 32 years of experience in trust, insurance, securities, investment banking, financial management, corporate management and venture investment.

Mr. Jin Tao, aged 55, was appointed as an executive Director in January 2012. Mr. Jin was promoted as the director and general manager of ZJ Holdings effective from 12 December 2017. He is also the chairman of the board of directors and legal representative of Zhuhai High-speed Passenger Ferry Co., Ltd. (珠海高速客輪有限公司) ("Ferry Company"), a non wholly-owned subsidiary of the Company. He holds a master degree in aircraft engineering from Northwestern Industrial University and is qualified as a senior engineer. Mr. Jin was an executive director of the Company from September 2002 to July 2009. In the past, Mr. Jin worked in Liyang Machinery Co., Ltd. under the Ministry of Aviation of the People's Republic of China, the Electrical & Mechanical General Factory of Zhuhai, Gongbei Industrial General Corporation of Zhuhai Special Economic Zone, and Zhuhai Dahengqin Investment Co., Ltd. ("ZDIC"). Mr. Jin worked in Ferry Company in the capacity of deputy manager of the Technology Department. He also worked as secretary of the board of directors, manager of the Operation Development Department, chief engineer, and deputy general manager in ZJ Holdings, and as director, general manager and legal representative in ZDIC. He is the chairman of the board of directors and legal representative of Zhuhai Tianzhi Development Property Co., Ltd. (珠海天志發展置業有限公司), which is an associate of ZJ Holdings, and is engaged in sales and development of property, golf course, tourism and recreational entertainment projects. He is a non-executive committee member of the Zhuhai Municipal City Planning Committee. Mr. Jin has over 32 years of experience in enterprise management, shipping management and maintenance, tourism management and project investment, technological development, loan, capital operation and acquisition.

Mr. Ye Yuhong, aged 54, was appointed as an executive Director in July 2009 and as a member of the nomination committee of the Company in March 2012. He is currently also a director and deputy secretary of CPC Committee and secretary of Discipline Inspection Commission of ZJ Holdings. Mr. Ye has worked in the State Key Laboratory of Laser Technology of Huazhong University of Science and Technology, the Organisation Department of CPC Zhuhai Committee and the Zhuhai Municipal Hong Kong-Macao Enterprise Office as secretary, deputy division head and leader of Macao work group and Zhuhai Tianzhi Development Property Co., Ltd. (珠海天志發展置業有限公司) as director. Since October 2002, he has worked as the assistant general manager and deputy secretary of Discipline Inspection Commission of ZJ Holdings. Mr. Ye holds a postgraduate of Huazhong University of Science and Technology and has over 29 years of experience in Hong Kong and Macao affairs, administrative management and human resources management.

Mr. Li Wenjun, aged 53, was appointed as an executive Director in July 2009. He is currently also the deputy general manager of ZJ Holdings. He was the managing director of both The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. (珠海經濟特區圓明新園旅遊有限公司) and 珠海市水上娛樂有限公司, the subsidiaries of the Company, from April 2012 to October 2015. Mr. Li has worked for China Ship Industrial Material South China Co., Zhuhai Commission for Economic Restructuring, Zhuhai Economic and Trade Bureau, Zhuhai State-owned Assets Operation and Administration Bureau, Zhuhai State-owned Assets Supervision and Administration Commission and Zhuhai Xinhe Transportation Group Co., Ltd. as secretary to general manager, deputy division head, division head, deputy chief economist, director and deputy general manager. He is currently the chairman of the board of directors and legal representative of Zhuhai Jiuzhou Cultural and Industrial Investment Development Co., Ltd. (珠海九洲文化產業投資發展有限公司), which is a subsidiary of ZJ Holdings and is engaged in tourism and cultural project development and operation; real estate project development, sales, leasing, parking services, property management; project investment and development, construction materials, mechanical and electrical equipment installation, import and export of goods; organization of cultural, exhibition exchange activities, project management services. He holds a postgraduate in Logistics Management of Huazhong University of Science and Technology and has over 29 years of experience in administrative management, economic management and financial securities.

Non-executive directors

Datuk Wira Lim Hock Guan, aged 57, was appointed as a non-executive Director effective from 12 August 2013. He has been an executive director of LBS Bina Group Berhad ("LBS"), a public company listed on the main board of Bursa Malaysia Securities Berhad, since 6 December 2001. He is sitting on the board of several subsidiaries of LBS group, including Dragon Hill Corporation Limited and Intellplace Holdings Limited ("LBS Group"); and he is also a director of Gaterich Sdn Bhd (a substantial shareholder of the LBS Group). Datuk Wira Lim holds a Bachelor of Science Civil Engineering from the Tennessee Technology University, USA and started his career as a Civil Engineer upon his graduation. Datuk Wira Lim has more than 27 years of extensive experience in the field of property development, operations and construction. He is in charge of the LBS Group's projects in Klang Valley, Malaysia and is one of the major driving forces behind the LBS Group's successful implementation of the projects in the Klang Valley, Malaysia. He also sits on the risk management committee and the ESOS committee of LBS. Datuk Wira Lim was appointed as a non-executive director of ML Global Berhad, a public company listed on the main board of Bursa Malaysia Securities Berhad, on 1 August 2014 and was re-designated as an executive director on 5 July 2016. He is also active in community works and has involved in several non-profit-making organisations. He is the President of Persatuan Hokkien Sungai Way, President of Selangor Petaling Business & Industry Association, Vice President of Malaysia-Guangdong Chamber of Investment Promotion, Vice President of The Malaysian Chamber of Commerce in Guangdong, China, committee member of Rumah Berhala Leng Tien Keong, Kajang, committee member of Sungai Way Old Folks Homes, committee member of Selangor & Kuala Lumpur Lim Clansmen Association, committee member of The Council of Justice of The Peace of Selangor, committee member of The Malaysia Japan Economic Associations (MAJECA) and committee member of Melaka and Guangdong Investment Committee. He is also a qualified sharpshooter from National Rifle Association, Washington D.C..

Mr. Kwok Hoi Hing, aged 55, has been appointed as a non-executive Director effective from 16 June 2015. He graduated from the undergraduate programme in Horticulture of Northwest Agriculture Institute of China (now known as Northwest A&F University) in 1985. Mr. Kwok currently is the managing director of Surpassing Investment Limited and the chairman and general manager of SFT Holding Limited. He also worked as a director of the fifth session of the board of directors of Shanghai Jin Jiang International Hotels Development Company Limited (上海錦江國際酒店發展股份有限公司). Mr. Kwok has over 33 years of investment experience in tourism, leisure resort and hotel real estate industry.

Mr. Zou Chaoyong, aged 41, was appointed as a non-executive Director of the Company on 28 May 2018. Mr. Zou was awarded a bachelor's degree in accounting from Central University of Finance and Economics (中央財經大學), the People's Republic of China, and he was awarded the qualification of senior accountant (高級會計師). He is currently a director and the financial controller of Zhuhai Jiuzhou Holdings Group Co., Ltd.* (珠海九洲控股集團有限公司) ("ZJ Holdings"), a substantial shareholder of the Company. Before joining ZJ Holdings and the Company, Mr. Zou previously worked as a financial manager of Cooper Edison Power Systems Co., Ltd., a company under the Cooper Industries Group from July 2001 to June 2010. During the period from June 2010 to December 2013, Mr. Zou served as the vice general manager of Henan Province Shengyuan Anti-corrosion Installation Construction Co., Ltd.* (河南省晟原安裝防腐工程公司) and during the period from December 2013 to March 2018, Mr. Zou served as the financial controller of the State-owned Assets Supervision and Administration Commission of the Zhuhai Municipal People's Government* (珠海市人民政府國有資產監督管理委員會), when he was designated to serve as a director and the financial controller of Zhuhai Water Environment Holdings Group Ltd. (珠海水務環境控股集團有限公司), Zhuhai Urban Construction Group Co., Ltd. (珠海城市建設集團有限公司) and Zhuhai Investment Holdings Co., Ltd.* (珠海投資控股有限公司), a director of Zhuhai Chengfa Investment Holdings Co., Ltd.* (珠海城發投資控股有限公司), and a supervisor of Zhuhai Venture Capital Guidance Fund Co., Ltd.* (珠海創業投資引導基金有限公司). Since December 2017 and March 2018, Mr. Zou has been a director of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司) (stock code: 000532), a company listed on the Shenzhen Stock Exchange, and a director and the financial controller of Zhuhai Gree Group Co., Ltd.* (珠海格力集團有限公司) respectively. Since February 2019, Mr. Zou has been a director and the financial controller of Zhuhai Anju Group* (珠海市安居集團). He has over 18 years of experience in finance and accounting.

Independent non-executive directors

Mr. Hui Chiu Chung, J.P., aged 71, joined the Company as an independent non-executive Director in April 1998. He is also the chairman of the remuneration committee, a member of the audit committee and the nomination committee of the Company. Mr. Hui is currently the chairman and chief executive officer of Luk Fook Financial Services Limited. He has over 48 years of experience in the securities and investment industry. Mr. Hui had for years been serving as council member and vice chairman of The Stock Exchange of Hong Kong Limited, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchange and Clearing Limited, an appointed member of the Securities and Futures Appeals Tribunal, a member of Standing Committee on Company Law Reform, a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission, and appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A and also a member of Government "Appointees" (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong. Mr. Hui was appointed by the Government of the Hong Kong Special Administrative Region a Justice of the Peace in 2004 and was also appointed a member of the Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference in 2006. Mr. Hui also serves as a non-executive director of Luk Fook Holdings (International) Limited (Stock Code: 590), an independent non-executive director of Lifestyle International Holdings Limited (Stock Code: 1212), Gemdale Properties and Investment Corporation Limited (Stock Code: 535), China South City Holdings Limited (Stock Code: 1668), SINOPEC Engineering (Group) Co., Ltd. (Stock Code: 2386), Agile Group Holdings Limited (formerly known as "Agile Property Holdings Limited") (Stock Code: 3383) and FSE Engineering Holdings Limited (Stock Code: 331) whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Hui was an independent non-executive director of Chun Wo Development Holdings Limited (now known as "Asia Allied Infrastructure Holdings Limited") (Stock Code: 0711) from 1 January 2006 to 1 February 2015 and an independent non-executive director of Hong Kong Exchanges and Clearing Limited (Stock Code: 388) from 23 April 2009 to 29 April 2015 (whose shares are listed on The Stock Exchange of Hong Kong Limited).

Mr. Chu Yu Lin, David, SBS, J.P., aged 75, joined the Company as an independent non-executive Director in April 1998. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chu received his Master of Business Administration degree from Harvard University after degrees in electrical engineering and management at Northeastern University, the United States and was awarded an honorary Doctor of Public Service degree from Northeastern University, the United States. Prior to joining the Group, he had worked in a number of sizeable international corporations such as Bank of America, General Electric Co., and Jardine Matheson & Company Limited. Mr. Chu is a Justice of the Peace of the Hong Kong Special Administrative Region. He is also an independent non-executive director of Chuang's China Investments Limited (Stock Code: 298), AVIC International Holding (HK) Limited (Stock Code: 232) and Chuang's Consortium International Limited (Stock Code: 367) whose shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. Albert Ho, aged 61, was appointed as an independent non-executive Director in September 2004. He is also the chairman of the audit committee, a member of the remuneration committee and the nomination committee of the Company. Mr. Ho graduated from the Macquarie University, Sydney, Australia with a Bachelor of Economics degree in 1985 and obtained his Master of Business Administration degree from the University of Hong Kong in 1991. He is a Certified Public Accountant and fellow member of the Association of Chartered Certified Accountants. He has extensive experience in financial and corporate management. Mr. Ho is also an independent non-executive director of SHK Hong Kong Industries Limited (Stock Code: 666), a listed company in Hong Kong.

Mr. Wang Yijiang, aged 65, was appointed as an independent non-executive Director in August 2015. He is also a member of the nomination committee of the Company. Mr. Wang holds a doctorate in economics at Harvard University. He is currently a professor of economics and human resources management and an associate dean of Cheung Kong Graduate School of Management at Beijing in charge of academics. He is also a member of editorial board at China Economic Review, a member of academic committee at Sun Ye-Fang Prize of Economics, a specially invited overseas advisor of Hunan Provincial Political Consultative Conference, an academic advisor of National Center of Fiscal and Tax Policy Research at Tsinghua University, Beijing, a senior researcher of Center of Fiscal Studies at Peking University, a fellow of Center of China in the World Economy at Tsinghua University, a senior fellow of National Centre of Economic Research of Faculty of Economics and Management at Tsinghua University, a permanent fellow of Chinese Economists' Society in North America, professor emeritus of University of Minnesota. Mr. Wang has over 36 years of academic experience in economics and human resources management. Mr. Wang is (i) an independent director of Zhong Qing Bao, also known as 深圳中青寶互動網絡股份有限公司(Shenzhen ZQGame Co. Ltd.), (Stock Code: 300052), a company listed on the Shenzhen Stock Exchange; and (ii) a non-executive director of Zhejiang Red Dragonfly Footwear Co. Ltd. (stock code: 603116), a company listed on the Shanghai Stock Exchange. Mr. Wang is also (i) an independent non-executive director of TCL Electronics Holdings Limited (formerly known as TCL Multimedia Technology Holdings Limited) (stock code: 1070), a listed company in Hong Kong; and (ii) an independent non-executive director of China VAST Industrial Urban Development Company Limited (stock code: 6166), a listed company in Hong Kong. During July 2007 to November 2013, Mr. Wang was also an independent director of 北京清新環境技術股份有限公司(Beijing SPC Environment Protection Tech Co., Ltd.) (formerly known as 北京國電清新環保技術股份有限公司(Beijing SPC Environment Protection Tech Co., Ltd.)), (stock code: 002573), a company listed on the Shenzhen Stock Exchange in April 2011. During November 2012 to June 2017, Mr. Wang was also an independent director of Hua Tu Education, also known as 北京華圖宏陽教育文化發展股份有限公司(Beijing Huatu Hongyang Education & Culture Corp., Ltd.), (stock code: 830858), a company listed on the National Equities Exchange and Quotations System ("NEEQ") in the People's Republic of China (NEEQ is also commonly known as 新三板(The New Third Board). During July 2010 to July 2017, he was also a director of Xuzhou Construction Machinery Corporation, also known as 徐工集團工程機械股份有限公司(XCMG Construction Machinery Co., Ltd.), (stock code: 000425), a company listed on the Shenzhen Stock Exchange.

Alternate directors

Mr. Lim Seng Lee, aged 59, was appointed as an alternate to Datuk Wira Lim Hock Guan on 24 March 2016. He is currently a senior general manager of investor relations at LBS. He joined the Singapore International Monetary Exchange (SIMEX/SGX) and worked for 5 years as a full time Proprietary Trader trading the Singapore, Japan and USA financial market derivatives including the cross rate forex. Subsequently he joined the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) as a Professional Trader dealing in the KLSE stock index futures and the Crude Palm Oil futures for 2 years. Prior to joining LBS, he worked in RHB Investment Bank Berhad as a Dual Licensed Dealer's Representative dealing in Bursa listed shares and the Futures market for 11 years. During that time he has participated as one of the Securities Commission's approved program Trainers/Speakers for Continuous Professional Course (CPE).

Mr. Zhu Minming, aged 50, was appointed as an alternate to Mr. Kwok Hoi Hing on 7 December 2018. He has been serving as the managing director of Shanghai Jinglong Investment Management Co., Ltd.* (上海景隆投資管理有限公司) since 2008. Mr. Zhu obtained a bachelor's degree from the School of Information Management and Engineering of the Shanghai University of Finance and Economics ("SUFE"), the People's Republic of China ("PRC"), in 1991, and a master's degree in financial securities and statistical analysis from SUFE in 2002. He further obtained a Master of Business Administration from the New York Institute of Technology, the United States, in 2012. He has extensive experience working in securities firms, including being a senior manager (高級經理) at Shanghai AJ Trust Company Limited* (上海愛建信託有限責任公司) from 2007 to 2008, the general manager (總經理) of the Guangzhong Road Sales Department of AJ Securities Co. Ltd.* (愛建證券有限責任公司廣中路營業部) and AJ Securities Research and Development Center* (愛建證券研發中心) from 2001 to 2006.

Senior management

Mr. Lu Tong, aged 51, is the vice president of the Company. He holds a master degree. He is also the chairman of Zhuhai Jiuzhou Property Development Limited* (珠海九洲置業開發有限公司), and a director of Zhuhai Jiuzhou Corporation Management Co., Ltd.* (珠海九洲企業管理有限公司), Zhuhai Highspeed Passenger Ferry Co., Ltd.* (珠海高速客輪有限公司), Zhuhai Jiuzhou Holdings Property Development Co., Ltd.* (珠海九控房地產有限公司), Zhuhai Jiuzhou Holdings Sports Management Co., Ltd.* (珠海市九控體育管理有限公司) (formerly known as Zhuhai International Circuit Golf and Country Club Limited* (珠海國際賽車場高爾夫俱樂部有限公司)) and other companies within the Group. Mr. Lu had worked in many enterprises under the Zhu Kuan Group and was involved in various fields including company legal affairs, administrative affairs, project finance, investment management and financial management etc. He joined the Company in May 1998 and worked as a deputy department manager, department manager and assistant president. Mr. Lu received his Bachelor of Laws degree from Shenzhen University and is a qualified lawyer in the People's Republic of China. He was also a postgraduate in Finance in the University of International Business and Economics and received his Master of Business Administration degree from the Royal Roads University subsequently. He has over 28 years of experience in company law, finance investment, project finance, financial management and corporate management.

Mr. Wong Kok Ching, aged 43, is the vice president of the Company. He holds a bachelor degree. Mr. Wong is also a deputy general manager of Zhuhai Jiuzhou Holdings Property Development Co., Ltd.* (珠海九控房地產有限公司) and a director of Zhuhai Jiuzhou Holdings Sports Management Co., Ltd.* (珠海市九控體育管理有限公司) (formerly known as Zhuhai International Circuit Golf and Country Club Limited* (珠海國際賽車場高爾夫俱樂部有限公司)). Mr. Wong had worked in LBS Bina Group Berhad, a public company listed on the main board of Bursa Malaysia Securities Berhad, and engaged in real estate business. He joined the Company in August 2013. Mr. Wong received his Bachelor degree of Science (Quantity Surveying) from University of Northumbria at Newcastle in United Kingdom. He has over 19 years of experience in real estate development, quantity survey and cost management. Mr. Wong is the nephew of Datuk Wira Lim Hock Guan.

Mr. Tang Jin, aged 46, is the vice president of the Company. He holds a master degree. He is also a director of Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd.* (珠海九洲港客運服務有限公司), Zhuhai Jiuzhou Cruises Co., Ltd.* (珠海市九洲郵輪有限公司) and Zhuhai Jiuzhou Corporation Management Co., Ltd.* (珠海九洲企業管理有限公司), and a supervisor of Zhuhai High-speed Passenger Ferry Co., Ltd.* (珠海高速客輪有限公司). Mr. Tang had worked in many enterprises under the Zhu Kuan Group in the capacities of assistant department manager, deputy department manager, department manager and assistant president, and was involved in the fields of international trading, finance investment, administrative management, asset management and human resources management. Mr. Tang joined the Company in May 1998. He obtained his Master of Business Administration degree from the Royal Roads University. He has nearly 23 years of experience in administrative management, financial investment, project management, asset management and human resources management.

Mr. Li Xiang, aged 51, is the vice president of the Company. He holds an undergraduate degree. Mr. Li worked at Guangdong Kingman Group Co., Ltd.* (廣東金曼集團股份有限公司), Zhuhai Zhongfu Enterprise Co., Ltd.* (珠海中富實業股份有限公司), the Company and Zhuhai International Golf Amusement Co., Ltd.* (珠海國際高爾夫遊樂有限公司) and served as a board secretariat, deputy general manager and managing director. He joined the Company in May 2017 and served as vice president. Mr. Li received a bachelor degree from Peking University. He is qualified as an independent director and a securities analyst. Mr. Li has over 26 years of experience in capital markets, mergers and acquisitions, project investment and business management.

Ms. Shi Yi, aged 50, is the vice president of the Company. She holds an undergraduate degree. Currently, she is also a director of Jiuzhou Transportation Investment Company Limited, a director of Zhuhai Jiuzhou Energy Co., Ltd.* (珠海九洲能源有限公司), a supervisor of ZJ Holdings, chairman of the supervisory committee of Zhuhai Jiukong Blue Ocean Tourism Co., Ltd.* (珠海九控藍色海洋旅遊有限公司), a supervisor of Zhuhai Holiday Resort Hotel Company Limited* (珠海度假村酒店有限公司), a supervisor of Zhuhai Jiuzhou Cruises Co., Ltd.* (珠海市九洲郵輪有限公司) and a supervisor of Zhuhai Jiuzhou Property Development Limited* (珠海九洲置業開發有限公司). Ms. Shi worked at Guangzhou Institute of Railway Technology, Guangzhou Jincheng Real Estate Co., Ltd.* (廣州金城房地產股份有限公司), Guangzhou Jincheng Computer Co., Ltd.* (廣州金城計算機有限公司) and Zhuhai Jiuzhou Holdings Group Co., Ltd. where she successively served as manager of sales department, manager of finance department, and general manager of audit and law department, respectively. She joined the Company in 2012 and took up the position of general manager of the audit and supervision department. Ms. Shi graduated from East China Jiaotong University with a bachelor's degree in accounting and owns the intermediate accountant certificate. She has accumulated over 20 years of working experience in finance and auditing in various industries, and has extensive experience and knowledge in risk management, financial management and corporate governance.

Mr. Gui Ke, aged 47, is an assistant president of the Company. He holds an undergraduate degree and is a director of Zhuhai High-speed Passenger Ferry Co., Ltd.* (珠海高速客輪有限公司), Zhuhai Holiday Resort Hotel Company Limited* (珠海度假村酒店有限公司) and Shenzhen Jiuzhou Holdings Finance Lease Co., Ltd.* (深圳市九控融資租賃有限公司) together with the supervisor of Zhuhai Jiuzhou Holdings Property Development Co., Ltd.* (珠海九控房地產有限公司), which are subsidiaries of the Company. Mr. Gui worked at Zhuhai Hotel* (珠海賓館), Zhuhai New Yuanming Palace* (珠海圓明新園), Zhuhai Holiday Haitian International Travel Agency* (珠海海天旅行社), Zhuhai Holiday Resort Hotel International Travel Agency* (珠海國際度假旅行社), Zhuhai and Macao Tourism Distribution Center* (珠澳旅遊集散中心), Jiuzhou Holdings Group* (九洲控股集團) and served as supervisor of housekeeping department, manager of marketing, assistant general manager of Zhuhai Holiday Resort Hotel International Travel Agency* (珠海國際度假旅行社), deputy general manager of Zhuhai and Macao Tourism Distribution Center* (珠澳旅遊集散中心) and deputy general manager of development and management department of Jiuzhou Holdings Group* (九洲控股集團). He joined the Company in 2015 and served as general manager of corporate management department and director of other companies in the Group. Mr. Gui received a bachelor of business administration degree from Renmin University of China* (中國人民大學). He has over 23 years of experience in business operations, management, marketing, travel management, project planning and investment development.

Mr. Kwok Tung Fai, aged 46, holds a master's degree and is the Financial Controller and the company secretary of the Company. Mr. Kwok joined the Company as financial controller on 24 July 2018 and is primarily responsible for all accounting and finance operations of the Company, and was appointed as its company secretary on 31 December 2018. Mr. Kwok is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. He obtained a Master of Finance degree from Hong Kong University of Science and Technology in 2010 and a bachelor degree in Business Administration from The Chinese University of Hong Kong in 1997. Before joining the Company, Mr. Kwok has over 21 years of experience working in various corporations, including multinational accounting firm, multinational financial institution, listed firms in Hong Kong and listed firms in Singapore. He has previously held positions of Chief Financial Officer/Financial Controller and Company Secretary in listed firms in Hong Kong and listed firms in Singapore for over 6 years, and accumulated many years of experience in acquiring listed companies in Hong Kong and Singapore, IPO, spin-off listing business, stock market financing, bank financing and corporate secretarial field.

Mr. Cheng Hui, aged 47, resigned as the executive vice president of the Company in November 2018. He holds a master degree. Prior to his resignation, he was an assistant to the general manager of Zhuhai Jiuzhou Holdings Group Co., Ltd.* (珠海九洲控股集團有限公司) ("ZJ Holdings"), a substantial shareholder of the Company, the chairman of both Zhuhai Jiuzhou Holdings Property Development Co., Ltd.* (珠海九控房地產有限公司) and Zhuhai Jiuzhou Holdings Sports Management Co., Ltd.* (珠海市九控體育管理有限公司) (formerly known as Zhuhai International Circuit Golf and Country Club Limited* (珠海國際賽車場高爾夫俱樂部有限公司)), a director of Zhuhai Special Economic Zone Long Yi Enterprise Company Limited* (珠海經濟特區隆益實業有限公司) and other companies in the Group. Mr. Cheng had worked in Zhuhai Television, Shanghai New Visual Culture Broadcast Company and ZJ Holdings. He served as marketing director, strategy and planning department manager, together with business and administration department manager. He was involved in the fields of business administration, marketing planning, project financing management and etc. He joined the Company in April 2012. Mr. Cheng obtained his Master of Business Administration degree from the Hong Kong Polytechnic University and is qualified as a financial economist. He has over 24 years of experience in business administration and management, marketing, finance, project planning and investment.

Mr. Chan Chit Ming, **Joeie**, aged 46, resigned as the financial controller and the company secretary of the Company on 1 June 2018. He holds a master degree. Prior to joining the Group, Mr. Chan had worked as finance manager, internal audit manager, company secretary and financial controller of various companies listed on the Main Board and the GEM of The Stock Exchange of Hong Kong Limited. He joined the Company as financial controller in February 2012. Mr. Chan graduated from University of Humberside with a Bachelor degree of Arts (Accountancy and Finance) and received his Master of Business Administration degree from the University of Hull in United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants as well as a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 24 years of solid finance, accounting, auditing experience in various industries and extensive experience and knowledge in company secretarial and corporate governance fields.

Save as disclosed above, the directors or senior management of the Company do not have any relationships with any other director or senior management.

The directors of the Company present their report and the audited consolidated financial statements of the Company and of the Group for FY2018.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Group consist of investment holding, the provision of port facilities in Zhuhai, the PRC excluding Hong Kong and Macao, the provision of ferry services between Zhuhai on the one part and Hong Kong and Shekou on the other part, the provision of financial information services and internet financial information intermediary services, the management of a holiday resort, a theme park and an amusement park, property development, the operation of a golf club and trading and distribution of fuel oil. The principal activities of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

Business review

Business review of the Group for FY2018 can be found in the section headed "Management Discussion and Analysis" of this annual report, of which the discussion forms part of this "Report of the Directors".

Environmental policies, performance and compliance with laws and regulations

The Group is committed progress to raise energy efficiency and minimise both energy consumption and pollutant discharge. The Group uses petrol, diesel fuel, water and electricity as the main sources of energy during operation. The Group strives to reduce emissions through technological adaptation and plant and equipment upgrade.

The Group adheres to the principle of recycling and waste reduction. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group regards production safely as its primary social responsibility. The Company is committed to becoming a safe production enterprise strictly according to its principles of "safe development" and "people orientation". Since its inception, the Company's businesses have a good history of safety. During FY2018, there was no general and more severe liability accidents occurred for our businesses.

For details, please refer to the section headed "Environmental, Social and Governance (ESG) Report 2018" on pages 31 to 39 of this annual report.

During FY2018, 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.

Key relationships with employees, customers and suppliers

Being people-oriented, the Group ensures all staff are reasonable remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

Results and dividends

The Group's profit for FY2018 and the state of affairs of the Company and of the Group on that date are set out in the consolidated financial statements on pages 103 to 218.

The Board recommends the payment of a final dividend of HK2 cents per ordinary share in respect of FY2018 to the shareholders whose names shall appear on the register of members of the Company on 4 July 2019.

Summary financial information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the years ended 31 December 2014, 2015, 2016, 2017 and 2018 is set out on page 220 of this report. This summary does not form part of the audited consolidated financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during FY2018 are set out in note 14 to the consolidated financial statements.

Rights to use port facilities

Details of movements in the rights to use port facilities of the Group during FY2018 are set out in note 17 to the consolidated financial statements.

Properties under development

Details of the Group's properties under development are set out in note 18 to the consolidated financial statements and on page 219 of this report.

Completed properties held-for-sale

Details of the Group's completed properties held-for-sale are set out in note 19 to the consolidated financial statements.

Share capital, warrants and convertible bonds

As at 31 December 2018, the Company had no outstanding amount payable pursuant to the Convertible Bonds (31 December 2017: Nil). During FY2018, no conversion notice has been received in respect of the exercise of conversion rights attached to the Convertible Bonds. The Convertible Bonds were fully redeemed by the Company on 29 August 2016.

Details of movements in the Company's share capital and warrants during FY2018 are set out in notes 39 and 36 to the consolidated financial statements, respectively.

Share option scheme

Pursuant to an ordinary resolution passed by the annual general meeting of the Company held on 28 May 2012, a share option scheme ("Share Option Scheme") was adopted. The principal terms of the Share Option Scheme are set out in the circular of the Company dated 26 April 2012.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

The participants of the Share Option Scheme include: (a) any eligible employee; (b) any non-executive director of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all share options must not in aggregate exceed 10% of the nominal amount of the issued share capital of the Company as at 28 May 2012 (i.e., 111,860,000 shares).

The maximum number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each participant of the Share Option Scheme in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options to a participant of the Share Option Scheme in excess of the Individual Limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to shareholders' approval in general meeting of the Company with such participant and his or her associates abstaining from voting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon the payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and shall not be more than 10 years from the date of offer of the share options, subject to the provisions for early termination as set out in the scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the board of directors of the Company.

The exercise price shall be determined by the Board in its absolute discretion at the time the grant of the options is made and shall not be lower than the highest of: (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange")'s daily quotations sheets on the grant date, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (iii) the nominal value of the shares.

The Share Option Scheme will remain in force for a period of 10 years commencing on its adoption date. The remaining life of the Share Option Scheme is approximately 3 years as at the date of this report.

On 13 July 2015, the Company granted an aggregate of 79,600,000 share options at an exercise price of HK$2.01 per share to eligible grantees, including certain directors, senior management and connected persons of the Company ("Grantees") primarily to provide incentives or rewards to the Grantees. Such grant of share options enabled the Grantees to subscribe for an aggregate of 79,600,000 new ordinary shares of HK$0.1 each in the share capital of the Company. The fair value of options granted in 2015 was determined using the binomial option pricing model which amounted to approximately HK$3.8 million and was charged to profit or loss account of the Group during 2015, please refer to the Company's 2015 annual report for information.

On 29 June 2016, the Board passed a resolution that pursuant to the rules of the Share Option Scheme, and subject to and conditional upon the consent to and acceptance of the cancellation of all or such specified number of an aggregate of 79,600,000 share options ("Outstanding Share Options") by the relevant Grantees or persons ("Entitled Persons") who were entitled to exercise the relevant Outstanding Share Option on behalf of the relevant Grantees in accordance with the rules of the Share Option Scheme, all the Outstanding Share Options would be cancelled with effect from 21 July 2016 without consideration. On 21 July 2016, according to the consent to and acceptance of the letters proposing the cancellation of all Outstanding Share Options by the relevant Grantees and the Entitled Persons, all Outstanding Share Options enabling the Grantees to subscribe for an aggregate of 79,600,000 new ordinary shares in the share capital of the Company were cancelled without consideration.

Save as disclosed above, no share option was granted, exercised, cancelled or had lapsed under the Share Option Scheme during FY2018. Moreover, the Company had no share options outstanding as at 31 December 2018.

Tax relief

The Company is not aware of any relief from taxation available to shareholders of the Company by reason of their holding of Company's shares.

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 of the Company.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2018.

Reserves

Details of movements in the reserves of the Company and of the Group during FY2018 are set out in note 40 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the laws of Bermuda, amounted to RMB85,673,000. In addition, the Company's contributed surplus, amounting to RMB672,431,000 as at 31 December 2018, is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the net realisable value of its assets would thereby be less than the aggregate of its liabilities and its share capital and share premium account. The Company's share premium account with a balance of RMB851,806,000 as at 31 December 2018 is distributable in the form of fully-paid bonus shares.

Charitable contributions

During FY2018, the Group made charitable contributions totalling RMB4,958,000.

Major customers and suppliers

For FY2018, the Group's revenue attributable to the Group's five largest customers was less than 30%. For FY2018, purchases from the Group's largest and the five largest suppliers accounted for approximately 4.1% and 31.5% of total purchases of the Group, respectively.

None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during FY2018.

Permitted indemnity provision

According to the bye-laws of the Company, subject to the provisions of and so far as may be permitted by the statutes, the directors, managing directors, alternate director, auditors, secretary or other officers for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which may be sustained or incur in or about the execution of the duties of their respective offices or otherwise in relation thereto.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.

Equity-linked agreements

During FY2018, the Company has not entered into any equity-linked agreement, except for those disclosed under the heading "Share option scheme" as stated aforesaid.

Directors

The directors of the Company during FY2018 and up to the date of this report were:

Executive Directors:

Mr. Huang Xin *(Chairman)*
Mr. Jin Tao
Mr. Ye Yuhong
Mr. Li Wenjun
Mr. Zhou Shaoqiang *(Chief Executive Officer) (resigned on 15 March 2018)*

Non-Executive Directors:

Datuk Wira Lim Hock Guan
Mr. Kwok Hoi Hing
Mr. Zou Chaoyong *(appointed on 28 May 2018)*
Mr. Wang Zhe *(resigned on 15 March 2018)*

Independent Non-Executive Directors:

Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho
Mr. Wang Yijiang

Alternate Directors:

Mr. Lim Seng Lee (alternate to Datuk Wira Lim Hock Guan)
Mr. Zhu Minming (alternate to Mr. Kwok Hoi Hing) *(appointed on 7 December 2018)*

The directors of the Company, including the executive directors, non-executive directors and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's bye-laws.

In accordance with bye-law 111(A) of the Company's bye-laws, Mr. Jin Tao, Mr. Ye Yuhong, Mr. Kwok Hoi Hing and Mr. Hui Chiu Chung, directors of the Company, shall retire at the forthcoming annual general meeting. In addition, Mr. Zou Chaoyong who has been appointed by the Board on 28 May 2018 shall hold office until the forthcoming annual general meeting pursuant to bye-law 115 of the Company's bye-laws. All the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting pursuant to bye-laws 111(A) and 115 of the Company's bye-laws.

While Mr. Hui Chiu Chung has been serving as an independent non-executive Director ("INED") for more than 9 years and is holding 7 or more listed company directorship (including the Company), the Board believes that he is suitable to continue to act as an INED pursuant to paragraphs A.4.3 and A.5.5 of Appendix 14 to the Listing Rules, having considered, among other things, that:

- the Nomination Committee of the Company reviews the structure, composition and size of the Board on an annual basis and is satisfied with the current composition of the Board;

- Mr. Hui continues to be able to confirm his independence (as set out in Rule 3.13 of the Listing Rules) to the Company and does not hold any shares in the Company;

- Mr. Hui has been devoting sufficient time and attention to the Company (which can be demonstrated by, among other things, his high attendance rate for the meetings of the Board in 2018) and providing valuable strategic insight and guidance to the Board over the years;

- Mr. Hui possesses wealth of experience in discharging his duties as a director through his past and present working experience in various organisations, which is valuable to maintaining the corporate governance of the Company; and

- together with the other directors, Mr. Hui will contribute to the diversity of the composition of the Board comprising seasoned individuals in the different aspects, such as capital markets, accounting profession, business and economic research, among other things.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent.

Change in Directors' information

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes in information of Directors subsequent to the date of 2018 interim report of the Company are set out below:

Directors	Details of changes
Mr. Zhu Minming	Appointed as an alternate director to Mr. Kwok Hoi Hing, a non-executive director, with effect from 7 December 2018.
Mr. Zou Chaoyong	Appointed as a director and financial controller of Zhuhai Anju Group* (珠海市安居集團) in February 2019.

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.

Management contracts

Other than the Directors' service contract and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence as at the end of the year or at any time during FY2018.

Directors' remuneration

The directors' fees are subject to the shareholders' approval at the general meetings. Other emoluments are determined by the Company's board of directors with reference to the directors' duties, responsibilities and performance and the results of the Group.

Directors' material interests in transactions, arrangements or contracts of significance

Save as disclosed in the paragraph headed "Connected and Continuing Connected Transactions" in this report and in note 45 to the consolidated financial statements, no transaction, arrangement or contract of significance to the business of the Group to which the Company, its subsidiaries, its substantial shareholder or any subsidiaries of its substantial shareholder was a party and in which a director or an entity connected with a director has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during FY2018.

Directors' interests in competing business

Save as disclosed below, as of the date of this report, the directors believe that none of the directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

- Mr. Huang Xin, an executive director, holds directorship in Zhuhai Tianzhi Development Property Co., Ltd. (珠海天志發展置業有限公司), a company engaged in sales and development of property, golf course, tourism and recreational entertainment projects during the year.

- Mr. Jin Tao, an executive director, holds directorship in Zhuhai Tianzhi Development Property Co., Ltd. (珠海天志發展置業有限公司), a company engaged in sales and development of property, golf course, tourism and recreational entertainment projects.

- Mr. Li Wenjun, an executive director, holds directorship in 珠海九洲文化產業投資發展有限公司, a company engaged in, among others, property development.

- Mr. Wang Zhe, a non-executive director resigned with effect from 15 March 2018, holds directorship in Zhuhai Huafa Group Limited (珠海華發集團有限公司), a company engaged in, among others, property development.

Although the above mentioned director have competing interests in other companies by virtue of their respective common directorship, they will fulfil their fiduciary duties in order to ensure that they will act in the best interest of the Company's shareholders and the Company as a whole at all times.

Directors' and chief executive's interests and short positions in shares and underlying shares of the Company and its associated corporations

As at 31 December 2018, the interests and short positions of the directors and chief executive of the Company in shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that were recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of HK$0.10 each of the Company:

Name of director	Number of ordinary shares directly and beneficially owned	Total interests	Approximate percentage of the Company's issued ordinary share capital *(Note 1)*
Mr. Huang Xin	720,000	720,000	0.05%
Mr. Jin Tao	1,742,000	1,742,000	0.12%
Mr. Ye Yuhong	700,000	700,000	0.05%
Mr. Kwok Hoi Hing	203,170,000 *(Note 2)*	203,170,000	14.23%
Mr. Chu Yu Lin, David	2,700,000	2,700,000	0.19%
Mr. Albert Ho	250,000	250,000	0.02%

Note 1 The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2018 (i.e., 1,427,797,174 shares).

Note 2 Mr. Kwok Hoi Hing held 203,170,000 shares of the Company of which 29,780,000 shares were held through his wholly-owned subsidiary, Surpassing Investment Limited.

Save as disclosed above, as at 31 December 2018, none of the directors or chief executive of the Company had any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations that were recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code.

Directors' rights to acquire shares or debentures

At no time during FY2018 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 spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2018, the following persons/parties (other than the directors and chief executive of the Company, whose interests have been disclosed in the above section headed as "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations") had interests of 5% or more in the shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and as to knowledge of the Company:

Long positions in ordinary shares of the Company:

Name of substantial shareholders	Number of ordinary shares	Nature of interest	Approximate percentage of the Company's issued ordinary share capital (Note 1)
Zhuhai Jiuzhou Holdings Group Co., Ltd. ("ZJ Holdings") *(Note 2)*	595,444,000	Beneficial owner and interest of controlled corporation	41.70%
Longway Services Group Limited ("Longway") *(Note 2)*	360,244,000	Beneficial owner	25.23%
Dragon Hill Corporation Limited ("Dragon Hill") *(Note 3)*	142,603,909	Beneficial owner	9.99%
Intellplace Holdings Limited ("IHL") *(Note 3)*	142,603,909	Interest of controlled corporation	9.99%
LBS Bina Group Berhad ("LBS Group") *(Note 3)*	142,603,909	Interest of controlled corporation	9.99%
Gaterich Sdn Bhd ("Gaterich") *(Note 3)*	142,603,909	Interest of controlled corporation	9.99%
Tan Sri Lim Hock San *(Note 3)*	142,603,909	Interest of controlled corporation	9.99%

Note 1 The percentage has been compiled based on the total number of ordinary shares of the Company in issue as at 31 December 2018 (i.e., 1,427,797,174 shares).

Note 2 Out of the 595,444,000 shares of the Company held by ZJ Holdings, 360,244,000 shares are owned by Longway, a wholly-owned subsidiary of ZJ Holdings. The remaining 235,200,000 shares are owned by ZJ Holdings.

Note 3 Dragon Hill held interest in the 142,603,909 shares in which IHL, LBS Group, Gaterich and Tan Sri Lim Hock San were deemed to be interested in by virtue of SFO because:
– Dragon Hill is 100% owned by IHL which in turn is owned by LBS Group;
– LBS Group is 40.7% owned by Gaterich; and
– Gaterich is 50% owned by Tan Sri Lim Hock San.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons (other than the directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above), who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Loan agreement with covenants relating to Specific performance obligations of the controlling shareholder

As disclosed in the announcement of the Company dated 28 July 2015, pursuant to the 2015 Facility Agreement, the Company has covenanted and undertaken to the 2015 Lenders (among other terms and conditions) that: (1) at least 30% of its entire issued share capital remain to be beneficially owned (directly or indirectly) by ZJ Holdings, the controlling shareholder of the Company; (2) ZJ Holdings remains as the single largest beneficial shareholder of the Company; and (3) ZJ Holdings have management control over the Company. The above obligations lapsed upon such repayment of the 2015 Facility during the year ended 31 December 2017 ("FY2017").

On 15 August 2017, the Company, as borrower, entered into the 2017 Facility Agreement of up to HK$2 billion for a term of four years with Wing Lung Bank, Limited and other Lenders in relation to the 2017 Facility. Pursuant to the 2017 Facility Agreement, the Company has covenanted and undertaken to the Lenders (among other terms and conditions) that: (1) at least 30% of its entire issued share capital remain to be beneficially owned (directly or indirectly) by ZJ Holdings; (2) ZJ Holdings remains as the single largest beneficial shareholder of the Company; and (3) ZJ Holdings have management control over the Company. If any of such events of default occurs and continues, the loan, amounts payable under the 2017 Facility Agreement together with any accrued interest may immediately become due and payable on demand. For details of the 2017 Facility Agreement, please refer to the Company's announcement dated 15 August 2017.

On 28 March 2018, the Company, as borrower, entered into a term loan facility agreement ("**March Facility Agreement**") with the bank, pursuant to which the bank has agreed to grant to the Company a term loan facility of up to HK$200 million having the final maturity date falling 36 months from the date of the March Facility Agreement. Under the March Facility Agreement, the Company has covenanted and undertaken to the bank, among others, that:

(i) at least 30% of the entire issued share capital of the Company will remain to be beneficially owned (directly or indirectly) by ZJ Holdings;

(ii) ZJ Holdings shall remain as the single largest beneficial shareholder of the Company; and

(iii) ZJ Holdings shall have management control over the Company.

On 28 February 2019, the Company, as borrower, entered into a revolving loan facility agreement ("Facility Agreement") with the bank, pursuant to which the bank has agreed to grant to the Company a revolving loan facility of up to HK$250 million having the final maturity date falling 3 years from the date of the Facility Agreement. Under the Facility Agreement, the Company has covenanted and undertaken to the bank, among others, that:

(i) at least 30% of the entire issued share capital of the Company will remain to be beneficially owned (directly or indirectly) by ZJ Holdings;

(ii) ZJ Holdings shall remain as the single largest beneficial shareholder of the Company; and

(iii) ZJ Holdings shall have management control over the Company.

Connected and continuing connected transactions

In addition to the related party transactions disclosed in notes 45 to the consolidated financial statements, details of connected transactions or continuing connected transactions ("CCTs") of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Chapter 14A of the Listing Rules, are summarised below:

A. Connected Transactions

On 19 November 2018, Ferry Company, Zhuhai Shihuadong Resort Petro-filling Station Co., Ltd.* (珠海市石花東度假村加油站有限公司) ("Resort Petro-filling Station"), a non wholly-owned subsidiary of the Company, Zhuhai Holiday Resort Hotel Company Limited* (珠海度假村酒店有限公司) ("Zhuhai Holiday Resort Hotel"), a wholly-owned subsidiary of the Company, Zhuhai Jiuzhou Cruises Co., Ltd.* (珠海市九洲郵輪有限公司) ("Jiuzhou Cruises Company"), a non wholly-owned subsidiary of the Company, Zhuhai Jiuzhou Holdings Property Development Co., Ltd.* (珠海九控房地產有限公司) ("ZJ Development Company"), a non wholly-owned subsidiary of the Company, and Zhuhai Jiuzhou Port Petro-filling Station Co., Ltd.* (珠海九洲港加油站有限公司) ("ZJ Port Station"), a non wholly-owned subsidiary of the Company, (collectively the "Championship Sponsors") agreed to provide sponsorships of RMB3 million, in aggregate, in respect of the 2018 Asia Windsurfing Championship* (2018年亞洲帆板錦標賽) and the 2018 Asia Kitesurfing Championship* (2018年亞洲風箏板錦標賽) (collectively the "Championships") organised by Zhuhai Jiuzhou Navigation Culture Co., Ltd.* (珠海市九洲航海文化有限公司) ("ZJ Navi Company"), a wholly-owned subsidiary of ZJ Holdings, a substantial shareholder of the Company, held in November 2018.

The principal terms of the sponsorship agreements (collectively the "Sponsorship Agreements") are summarised as follows:

1. ZJ Development Company Sponsorship Agreement

   Date: 19 November 2018

   Parties: (A) ZJ Development Company; and (B) ZJ Navi Company.

   Events: The Championships

   Term: Between 19 November 2018 and the end of the events and the completion of advertising campaigns

   Consideration:
   The title sponsorship fee was RMB2.56 million in cash for the events, and payable by ZJ Development Company to ZJ Navi Company in two tranches:

   (i) RMB1.28 million, within 10 business days after signing of the sponsorship agreement and subject to the issuance of relevant approvals for the events from relevant government bodies such as Chinese Yachting Association* (中國帆船帆板協會); and

   (ii) the remaining RMB1.28 million, within 30 days prior to the commencement of the Championships, subject to the Championships are being held as scheduled.

2. ZJ Cruises Company Sponsorship Agreement

   Date: 19 November 2018

   Parties: (A) ZJ Cruises Company; and (B) ZJ Navi Company.

   Events: The Championships

   Term: Between 19 November 2018 and the end of the events

   Consideration:
   ZJ Cruises sponsored the events by way of (i) cash of RMB60,000 on 19 November 2018 and (ii) providing to ZJ Navi Company yacht services of RMB240,000.

3. Resort Petro-filling Station Sponsorship Agreement

   Date: 19 November 2018

   Parties: (A) Resort Petro-filling Station; and (B) ZJ Navi Company.

   Events: The Championships

   Term: Between 19 November 2018 and the end of the events

   Consideration:
   Resort Petro-filling Station sponsored the events by way of providing to ZJ Navi Company fuel prepaid cards of RMB30,000 on 19 November 2018.

4. ZJ Port Station Sponsorship Agreement

   Date: 19 November 2018

   Parties: (A) ZJ Port Station; and (B) ZJ Navi Company.

   Events: The Championships

   Term: Between 19 November 2018 and the end of the events

   Consideration:
   ZJ Port Station sponsored the events by way of providing to ZJ Navi Company fuel prepaid cards of RMB30,000 on 19 November 2018.

5. Zhuhai Holiday Resort Hotel Sponsorship Agreement

   Date: 19 November 2018

   Parties: (A) Zhuhai Holiday Resort Hotel; and (B) ZJ Navi Company.

   Events: The Championships

   Term: Between 19 November 2018 and the end of the events

   Consideration:
   The sponsorship fee was RMB80,000 in cash for the events, and payable by Zhuhai Holiday Resort Hotel to ZJ Navi Company at the settlement of the total reception fees for the events.

The responsibilities of ZJ Navi Company as the event organiser were broadly similar under the Sponsorship Agreements. ZJ Navi Company was responsible for, among others, (i) obtaining the relevant approvals and completing registration procedures (including payment of relevant costs) at local governmental bodies for the Championships; (ii) liaising between parties during the Championships; (iii) timely organising press conferences and preparing relevant promotional work; and (iv) realising sponsorships' rights pursuant to the respective Sponsorship Agreements.

ZJ Development Company, as event title sponsor (i) was the title sponsor at the events; (ii) had exclusive advertising right as title sponsor; and (iii) had priority to co-operate with ZJ Navi Company in respect of the Championships. As title sponsor for the events, ZJ Development Company was able to promote its brands through, among others, traditional and new media coverage and advertising signboards, and participate in activities relating to the Championships, such as the event press conferences, opening and closing ceremonies, signing and awards ceremonies.

The rights as event co-operation partners (i.e. ZJ Cruises Company, Resort Petro-filling Station, ZJ Port Station and Zhuhai Holiday Resort Hotel) at the events are broadly similar under each of their respective Sponsorship Agreements with ZJ Navi Company. Each of such event co-operation partners had exclusive advertising right of their respective product type at the events. As a co-operation partner at the events, each of those co-operation partners was able to promote their respective brands through, among others, traditional and new media coverage and advertising signboards, and participate in activities relating to the championship, such as press conferences and the opening and closing ceremonies.

The sponsorship fees under each of the Sponsorship Agreements were determined with reference to fee quotations obtained by the respective sponsors of the Championships from major local media and advertising agencies and television station, and made on arm's length negotiations with reference to prevailing market conditions after taking into account the size of the Championships and expected amount of press coverage.

The events were national sailing Championships held in Zhuhai, which had received support from governmental bodies and corporations, and thus the Championships attracted massive attention and tremendous press coverage from the media. It was expected the news and articles relating to the Championships will be covered in 14 "we-media", around 15 traditional media and around 30 internet media. As such, the sponsorships under the Sponsorship Agreements were good opportunities to promote the Group's brands and corporate images through the Championships, and the Sponsorships could thereby indirectly attract investments in or would open up business opportunities for the Group in the future.

ZJ Navi Company is a wholly-owned subsidiary of ZJ Holdings. ZJ Holdings is a State-owned enterprise established in the PRC and is a substantial and controlling shareholder of the Company. Accordingly, ZJ Navi Company is an associate of ZJ Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. As such, the Sponsorships constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the Sponsorship Agreements are set out in the Company's announcements dated 19 November 2018.

B. Continuing Connected Transactions

(1) Jiuzhou Agency Transportation Cum Management Fee Agreements

On 18 March 2011, Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd.* (珠海九洲港客運有限公司) ("Jiuzhou Port Company"), a non wholly-owned subsidiary of the Company, and Ferry Company, a non wholly-owned subsidiary of the Company (previously accounted for as a joint venture of the Group), entered into certain agreements on similar terms (collectively, the "2011 AM Fee Agreements") pursuant to which Jiuzhou Port Company acted as agent of Ferry Company for selling of ferry tickets to passengers and for providing management services for the berthing facilities at the Jiuzhou Port in Zhuhai to Ferry Company for the term commencing on 1 January 2011 and expired on 31 December 2013. Under the 2011 AM Fee Agreements, Jiuzhou Port Company was entitled to receive agency cum management fees from Ferry Company calculated on the basis of 23.5% of the gross proceeds from the ferry tickets sold after deducting certain fees and expenses. Ferry Company was required to pay the agency cum management fees in arrears and on a monthly basis under the 2011 AM Fee Agreements. At the special general meeting of the Company held on 27 May 2011, the 2011 AM Fee Agreements, the transactions contemplated thereby and the related annual caps were approved by the independent shareholders of the Company.

On 28 September 2012, Jiuzhou Port Company and Ferry Company entered into certain termination agreements to terminate the 2011 AM Fee Agreements. Three new agency transportation cum management fee agreements for the period commencing on 28 September 2012 and expired on 31 December 2014 on similar terms (collectively, the "2012 AM Fee Agreements") were made between Jiuzhou Port Company, Ferry Company and Zhuhai Jiuzhou Passenger Port and Development Co., Ltd.* (珠海九洲客運港發展有限公司)("Jiuzhou Passenger Development Company", formerly known as Zhuhai Jiuzhou Port Passenger Transport Station Co., Ltd.*(珠海九洲港客運站有限公司)), a wholly-owned subsidiary of ZJ Holdings. Pursuant to the 2012 AM Fee Agreements, Jiuzhou Port Company was mainly responsible for providing waiting lounge for passengers, supplying electricity and fresh water to the ferries of Ferry Company, conducting promotional activities for the ferry lines and providing berthing facilities and services for the ferries of Ferry Company at the Jiuzhou Port, and Jiuzhou Passenger Development Company was mainly responsible for selling ferry tickets to passengers in the PRC, luggage transportation, assisting in the management of waiting lounge services and conducting business promotion activities. Both Jiuzhou Passenger Development Company and Ferry Company are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2012 AM Fee Agreements constituted CCTs for the Company under Chapter 14A of the Listing Rules. Under the 2012 AM Fee Agreements, (i) Jiuzhou Port Company was entitled to receive the agency, transportation cum management fees ("AM Fees") from Ferry Company calculated on the basis of 17.5% or 20.5% of the gross proceeds from the ferry tickets sold, after deducting certain expenses and fees payable to certain independent third parties for certain ferry lines; and (ii) Jiuzhou Passenger Development Company was entitled to receive (1) agency transportation and management fees from Ferry Company calculated on the basis of 3% of the gross proceeds from the ferry tickets sold, after deducting certain expenses and fees payable to certain independent third parties for certain ferry lines; and (2) an agency fee of RMB3 per ticket sold for certain ferry lines. Ferry Company was required to pay the agency cum management fees in arrears and on a monthly basis under the 2012 AM Fee Agreements. At the special general meeting of the Company held on 18 December 2012, the 2012 AM Fee Agreements, the transactions contemplated thereby and the related annual caps were approved by the independent shareholders of the Company.

On 30 September 2013, supplemental agreements (the "Supplemental Agreements") to the 2012 AM Fee Agreements were entered into between Ferry Company, Jiuzhou Port Company and Jiuzhou Passenger Development Company. The major terms ("Variation of Terms") of the Supplemental Agreements included: (1) Jiuzhou Port Company was entitled to receive the AM Fees from Ferry Company calculated on the basis of 19.5% or 22.5% of the gross proceeds from the ferry tickets sold, after deducting certain expenses and fees payable to certain independent third parties for certain ferry lines (the "Net Proceeds") (the original charging rate under the 2012 AM Fee Agreements before the Variation of Terms was in the range of 17.5% or 20.5%); (2) Jiuzhou Passenger Development Company was entitled to receive agency transportation and management fees from Ferry Company calculated on the basis of 1% of the Net Proceeds from the ferry tickets sold (the original charging rate under the 2012 AM Fee Agreements before the Variation of Terms was 3%); and (3) the sharing ratio of certain expenses in connection with business promotion between Ferry Company, Jiuzhou Port Company and Jiuzhou Passenger Development Company was 76.5%: 22.5%: 1% (the original sharing ratio under the 2012 AM Fee Agreements before the Variation of Terms was 76.5%: 20.5%: 3%). The Variation of Terms did not result in the related annual caps for the years ended 31 December 2013 and 2014 respectively being exceeded. Having considered the factors mentioned above, the Board was of the view that the Variation of Terms did not constitute a material change to the terms of the 2012 AM Fee Agreements. Accordingly, the Company was not required to re-comply with the independent shareholders' approval requirement under Chapter 14A of the Listing Rules in connection with the Variation of Terms.

On 31 December 2014, Ferry Company, Jiuzhou Port Company and Jiuzhou Passenger Development Company entered into, on a conditional basis, certain agreements on similar terms (collectively, the "2015 AM Fee Agreements") in relation to the operation of the same ferry lines as in the 2012 AM Fee Agreements (as varied by the Supplemental Agreements) all for a term of three years up to 31 December 2017.

On 4 December 2017, Ferry Company, Jiuzhou Port Company and Jiuzhou Passenger Development Company entered into, on a conditional basis, certain agreements (collectively, the "2018 AM Fee Agreements") in relation to the operation of the same ferry lines as in the 2012 AM Fee Agreements (as varied by the Supplemental Agreements) all for a term of three years up to 31 December 2020. The major terms of the 2018 AM Fees Agreements included: (1) Jiuzhou Port Company was entitled to receive the AM Fees from Ferry Company calculated on the basis of 18.8% of the Net Proceeds from the ferry tickets sold (the charging rate under the 2015 AM Fee Agreements was in the range of 19.5% or 22.5%); (2) Jiuzhou Passenger Development Company was entitled to receive agency transportation and management fees from Ferry Company calculated on the basis of 1.7% or 4.7% of the Net Proceeds from the ferry tickets sold[1] (the original charging rate under the 2015 AM Fee Agreements was 1.7% or 4.7%); and (3) the sharing ratio of certain expenses in connection with business promotion between Ferry Company, Jiuzhou Port Company and Jiuzhou Passenger Development Company was 76.5%: 18.8%: 1.7% or 76.5%: 18.8%: 4.7% (as the case may be) (the sharing ratio under the 2015 AM Fee Agreements was 76.5%: 22.5%: 1%).

As the outbound passenger flow for the ferry lines and the average ferry ticket price during FY2018 increased at a rate greater than originally expected, the parties increased the annual caps under the 2018 AM Fee Agreements from RMB52.42 million, RMB51.42 million and RMB50.42 million to RMB71.03 million, RMB78.93 million and RMB87.33 million for FY2018, FY2019 and FY2020, respectively.

As (a) Jiuzhou Port Company is indirectly owned by the Company and ZJ Holdings as to 90% and 10%, respectively; (b) Ferry Company is indirectly owned by the Company and ZJ Holdings as to 49% and 43%, respectively; and (c) ZJ Holdings is a substantial shareholder of the Company, Ferry Company and Jiuzhou Port Company are connected subsidiaries of the Company under the Listing Rules. As Jiuzhou Passenger Development Company is a wholly-owned subsidiary of ZJ Holdings, Jiuzhou Passenger Development Company is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated by the 2018 AM Fee Agreements thus constitute CCTs for the Company under Chapter 14A of the Listing Rules and the revision of the annual caps thereunder require the Company to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

1 The ticket selling agents are entitled to receive a handling fee equivalent to 3% of the Net Proceed for one of the ferry lines.

At the special general meeting of the Company held on 18 January 2018, the 2018 AM Fee Agreements, the transactions contemplated thereby and the related annual caps were approved by the independent shareholders of the Company.

At the special general meeting of the Company held on 30 October 2018, the revision of the annual caps for the CCTs contemplated under the 2018 AM Fee Agreements was approved by the independent shareholders of the Company.

During FY2018, Jiuzhou Port Company received agency, transportation cum management fees from Ferry Company amounted to RMB45,361,000 (2017: RMB45,820,000) and these intra-group transactions were fully eliminated on consolidation of the Group.

During FY2018, Jiuzhou Passenger Development Company received agency, transportation cum management fees from Ferry Company amounted to RMB12,499,000 (2017: RMB2,204,000).

Details of the 2011 AM Fee Agreements, the 2012 AM Fee Agreements, the Supplemental Agreements, the 2015 AM Fee Agreements, the 2018 AM Fee Agreements, the revision of the annual caps for the CCTs contemplated under the 2018 AM Fee Agreements are set out in the Company's announcements dated 17 November 2011 and 28 September 2012, the circular dated 23 November 2012, the announcements dated 30 September 2013, 31 December 2014, 4 December 2017 and 24 September 2018, and the circulars dated 30 April 2015, 28 December 2017 and 10 October 2018.

(2) Diesel Supply Agreements

Under a renewed supply agreement dated 4 December 2017, Jiuzhou Energy Co., Ltd.* (珠海九洲能源有限公司) ("Jiuzhou Energy Company", formerly known as Zhuhai Jiuzhou Marine Bunker Supply Co., Ltd.* (珠海九洲船舶燃料供應有限公司)), a company wholly-owned by Ferry Company (and therefore is a connected person of the Company under the Listing Rules), has agreed to supply Zhuhai Holiday Resort Hotel diesel fuel on an on-going basis for a term of three years commencing from 1 January 2018 to 31 December 2020. The purchase price payable by Zhuhai Holiday Resort Hotel would be at a discount of RMB0.05 per litre for diesel fuel to the daily rate promulgated by the State and shall be paid by Zhuhai Holiday Resort Hotel to Jiuzhou Energy Company on a monthly basis in arrears.

During FY2018, the diesel fuel Zhuhai Holiday Resort Hotel purchased from Jiuzhou Energy Company amounted to RMB1,463,000 (2017: RMB2,876,000).

Details of the above agreement are set out in the Company's announcement dated 4 December 2017.

(3) Wanshan Agency Transportation Cum Management Fee Agreements

An agency transportation cum management fee agreement (the "2014 Wanshan AM Fee Agreement") together with its supplemental agreement (the "2014 Supplemental Wanshan AM Fee Agreement") both dated 1 January 2014 were entered into between Zhuhai S.E.Z. Haitong Shipping Co., Ltd.* (珠海經濟特區海通船務有限公司) ("HT Shipping"), and Zhuhai Wanshan Port Co., Ltd.* (珠海市萬山區港務有限公司) ("Wanshan Port Company"), in relation to the provision of certain port and transportation agency services by Wanshan Port Company to HT Shipping at the following terminals (collectively, the "Designated Terminals (Wanshan Line)") for a term of one year from 1 January 2014 up to 31 December 2014:

(i) North Terminal ("North Terminal") of Xiangzhou Port* (香洲港北堤碼頭), Zhuhai; and

(ii) Certain terminals on Wanshan Qundao* (萬山群島), Zhuhai, including Guishan Terminal* (桂山碼頭), Wai Lingding Terminal* (外伶仃碼頭), Dongao Terminal* (東澳碼頭), Wanshan Terminal* (萬山碼頭) and Dangan Terminal* (擔桿碼頭) (collectively "Wanshan Qundao Terminals").

Since January 2010, HT Shipping (which was then (and is still) a wholly-owned subsidiary of Ferry Company which in turn was, at the material time, a joint venture of the Company) has been engaging Wanshan Port Company (a then wholly-owned subsidiary of an independent third party) to provide port and transportation agency services to the ferries of HT Shipping at the Designated Terminals (Wanshan Line) pursuant to various written agreements, including the 2014 Wanshan AM Fee Agreement (as supplemented by the 2014 Supplemental Wanshan AM Fee Agreement).

During the period from January 2010 and immediately prior to 23 May 2013, the above transactions between HT Shipping and Wanshan Port Company were transactions of a revenue nature in the ordinary and usual course of business of the Group which were conducted between a joint venture (which was not a member of the Group) of the Company and an independent third party, which transactions did not constitute transactions under Chapter 14 of the Listing Rules or connected transactions under Chapter 14A of the Listing Rules.

On 23 May 2013, following completion of changes to its shareholding composition, Ferry Company has been treated as a 49%-owned subsidiary of the Company, and hence HT Shipping (a wholly-owned subsidiary of Ferry Company), also became a subsidiary of the Company.

During the period from 23 May 2013 and immediately prior to 29 January 2014, the above transactions between HT Shipping and Wanshan Port Company were transactions of a revenue nature in the ordinary and usual course of business of the Group which were conducted between a member of the Group and an independent third party, which transactions did not constitute transactions under Chapter 14 of the Listing Rules or connected transactions under Chapter 14A of the Listing Rules.

On 29 January 2014, ZJ Holdings completed its acquisition of 50% equity interests in Wanshan Port Company from the latter's then sole equity-holder which was an independent third party. Since then, Wanshan Port Company has become an associate of ZJ Holdings and a connected person of the Company. Accordingly, since 29 January 2014, transactions contemplated between HT Shipping (a member of the Group) and Wanshan Port Company (a connected person of the Company) constituted CCTs under Chapter 14A of the Listing Rules.

Since January 2010, transactions between HT Shipping and Wanshan Port Company were governed under written agreements for a term of either one year or three years. The CCTs between the parties in 2014 and 2015 were governed by the 2014 Wanshan AM Fee Agreement (as supplemented by the 2014 Supplemental Wanshan AM Fee Agreement) and a renewed agency transportation cum management fee agreement (the "2015 Wanshan AM Fee Agreement") dated 20 March 2015, respectively.

On 31 December 2015, HT Shipping and Wanshan Port Company entered into a renewed agency transportation cum management fee agreement (the "2016 Wanshan AM Fee Agreement") on similar terms in relation to the provision of certain port and transportation agency services by Wanshan Port Company to HT Shipping at the Designated Terminals (Wanshan Line) for a term of one year from 1 January 2016 up to 31 December 2016.

On 29 December 2016, HT Shipping and Wanshan Port Company entered into a renewed agency transportation cum management fee agreement (the "2017 Wanshan AM Fee Agreement") in relation to the provision of port and transportation agency services by Wanshan Port Company to HT Shipping at the Designated Terminals (Wanshan Line) for a term of one year from 1 January 2017 to 31 December 2017.

On 4 December 2017, HT Shipping and Wanshan Port Company entered into a renewed agency transportation cum management fee agreement (the "2018 Wanshan AM Fee Agreement") in relation to the provision of port and transportation agency services by Wanshan Port Company to HT Shipping at the Designated Terminals (Wanshan Line) for a term of one year from 1 January 2018 to 31 December 2018.

In return for the above services, Wanshan Port Company is entitled to receive the following fees payable by HT Shipping:

(i) agency and management fees ("2018 Wanshan AM Fees") calculated on the basis of:

(a) subject to (b) below,

(1) 12% of the gross proceeds from the ferry tickets sold in respect of the ferry services from North Terminal to the Wanshan Qundao Terminals;

(2) 15% of the gross proceeds from the ferry tickets sold in respect of the ferry services from the Wanshan Qundao Terminals to North Terminal;

(3) 25% of the gross proceeds from the ferry tickets sold or the multiple of the number of passengers (excluding children) and RMB30 per passenger, whichever is higher, in respect of the ferry services from Wai Lingding Terminal to Shenzhen Shekou Terminal* (深圳蛇口碼頭);

(4) 20% of the gross proceeds from the ferry tickets sold in respect of the ferry services from the Wanshan Qundao Terminals to Jiuzhou port and Hengqin Terminal; and

(5) 6.7% of the gross proceeds from the ferry tickets sold in respect of special ferry services, including night ferry services from North Terminal to Guishan Terminal and long distance ferry services from North Terminal to Dangan Terminal and from Guishan Terminal to Hong Kong; and

(b) for chartered ferry services, Wanshan Port Company is entitled to receive 2018 Wanshan AM Fees calculated on the basis of 13.5% of the gross proceeds from the ferry tickets sold in respect of the ferry service with the North Terminal as port of origin;

(ii) luggage transportation fee calculated on the basis of 40% of the gross revenue per month for such service;

(iii) a berthing fee of RMB200 per day for each non-operating ferry of HT Shipping which berths at the Designated Terminals (Wanshan Line);

(iv) a cleaning fee of RMB10 per service for each ferry of HT Shipping which enters into the Designated Terminals (Wanshan Line);

(v) an office leasing fee of RMB1,000 per month (excluding electricity and water charges); and

(vi) a surcharge on the provision of electricity, fresh water and sewage treatment (at a fee to be charged at fixed rate with reference to the actual usage) to ferries of HT Shipping at the Designated Terminals (Wanshan Line), and a maintenance fee calculated on the basis of a premium of 10% on the actual usage of electricity and fresh water.

It was expected that the CCTs under the 2018 Wanshan AM Fee Agreement will continue beyond its expiry on 31 December 2018. To ensure continual provision of port and transportation agency services by Wanshan Port Company to HT Shipping after the expiry of the 2018 Wanshan AM Fee Agreement, and to expand the Group's market presence in the Wanshan region/business operations following the opening of the Hong Kong – Zhuhai – Macao Bridge, on 24 December 2018, HT Shipping and Wanshan Port Company entered into three agency transportation cum management fee agreements (collectively the "2019 Wanshan AM Fee Agreements") in relation to the provision of certain port and transportation agency services by Wanshan Port Company to HT Shipping at the following terminals for a term of one year from 1 January 2019 up to 31 December 2019:

(i) the Designated Terminals (Wanshan Line);

(ii) Jiuzhou Port* (九洲港碼頭) or Hengqin Port* (橫琴碼頭), Zhuhai;

(iii) Wai Lingding Terminal* (外伶仃碼頭) and Dongao Nansha Wan Terminal* (東澳南沙灣碼頭), Zhuhai;

(iv) Shekou Port* (深圳蛇口港), Shenzhen; and

(v) Wai Lingding Terminal* (外伶仃碼頭), Dongao Wan Terminal* (東澳灣碼頭) and Guishan Terminal* (桂山碼頭), Zhuhai.

As Wanshan Port Company is a non wholly-owned company of ZJ Holdings, hence Wanshan Port Company is an associate of ZJ Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated by the 2019 Wanshan AM Fee Agreement thus constitute CCTs for the Company under Chapter 14A of the Listing Rules.

During FY2018, Wanshan Port Company received agency, transportation cum management fees and relevant fees from HT Shipping amounted to RMB10,734,000 (2017: RMB10,651,000).

Details of the 2014 Wanshan AM Fee Agreement, the 2014 Supplemental Wanshan AM Fee Agreement, the 2015 Wanshan AM Fee Agreement, the 2016 Wanshan AM Fee Agreement, the 2017 Wanshan AM Fee Agreement, the 2018 Wanshan AM Fee Agreement and 2019 Wanshan AM Fee Agreements are set out in the Company's announcements dated 20 March 2015, 31 December 2015, 29 December 2016, 4 December 2017 and 24 December 2018 respectively.

(4) Petrol Supply Agreements

Since January 2012, ZJ Port Station, a non wholly-owned subsidiary of the Company, has been supplying petrol and diesel to Zhuhai Jiuzhou Travel Transport Co., Ltd.* (珠海市九洲旅遊運輸有限公司) ("Jiuzhou Travel Transport"), a company in which ZJ Holdings is interested in 49% of its equity interest.

Prior to 23 May 2013, Ferry Company was a joint venture of the Company and was then a connected person of the Company. ZJ Port Station was then (and is still) wholly-owned by Ferry Company (among which 90% equity interest of ZJ Port Station is directly held by Ferry Company and the remaining 10% thereof is directly held by Jiuzhou Energy Company, which is a directly wholly-owned subsidiary of Ferry Company), hence, ZJ Port Station was then also a connected person of the Company. At the material time, Jiuzhou Travel Transport was then (and is still) 49%-owned by ZJ Holdings, hence an associate of ZJ Holdings and a connected person of the Company. As both ZJ Port Station and Jiuzhou Travel Transport were then connected persons of the Company and not members of the Group, prior to 23 May 2013, transactions contemplated between them did not constitute connected transactions under Chapter 14A of the Listing Rules.

On 23 May 2013, changes to the shareholding composition of Ferry Company completed and since then Ferry Company has been treated as a 49%-owned subsidiary of the Company. ZJ Port Station, being a subsidiary of Ferry Company, also became a member of the Group since the change of status of Ferry Company becoming effective. Accordingly, since 23 May 2013, transactions contemplated between ZJ Port Station (a member of the Group) and Jiuzhou Travel Transport (a connected person of the Company) constituted connected transactions under Chapter 14A of the Listing Rules.

Prior to 1 September 2013, no written agreement was entered into between ZJ Port Station and Jiuzhou Travel Transport for the supply of fuel. On 1 September 2013, ZJ Port Station and Jiuzhou Travel Transport entered into a supply of petrol and diesel agreement (the "2013-14 Petrol Supply Agreement") dated 1 September 2013 pursuant to which the former agreed to supply to the latter petrol and diesel on an on-going basis for a term of one year up to 31 August 2014. On 1 September 2014, ZJ Port Station and Jiuzhou Travel Transport entered into a supply of petrol and diesel agreement (the "2014-15 Petrol Supply Agreement"), as supplemented by a supplemental agreement dated 31 December 2014 (the "Supplemental Petrol Supply Agreement"), pursuant to which the former agreed to supply to the latter petrol and diesel on an on-going basis for a term commencing from 1 September 2014 up to 31 December 2015.

On 31 December 2015, ZJ Port Station and Jiuzhou Travel Transport entered into a renewed supply of petrol and diesel agreement (the "2016-17 Petrol Supply Agreement") on similar terms in relation to supply of petrol and diesel by ZJ Port Station to Jiuzhou Travel Transport for a term of two years from 1 January 2016 up to 31 December 2017.

On 4 December 2017, ZJ Port Station and Jiuzhou Travel Transport entered into a renewed supply of petrol and diesel agreement (the "2018-20 Petrol Supply Agreement") on similar terms in relation to supply of petrol and diesel by ZJ Port Station to Jiuzhou Travel Transport for a term of three years from 1 January 2018 up to 31 December 2020.

In light of the relocation of the parking lot of Jiuzhou Travel Transport, the demand of Jiuzhou Travel Transport for petrol and diesel fuel for its vehicles increased. The existing annual caps under the 2018-20 Petrol Supply Agreement would not be sufficient to meet the expected transaction amounts under the 2018-20 Petrol Supply Agreement for FY2018, FY2019 and FY2020. In September 2018, the annual caps under the 2018-20 Petrol Supply Agreement was increased from RMB3.1 million, RMB3.5 million and RMB4 million to RMB6 million, RMB6.5 million and RMB7 million for FY2018, FY2019 and FY2020.

During FY2018, the petrol and diesel fuel Jiuzhou Travel Transport purchased from ZJ Port Station amounted to RMB4,541,000 (2017: RMB1,120,000).

Details of the 2013-14 Petrol Supply Agreement, the 2014-15 Petrol Supply Agreement, the Supplemental Petrol Supply Agreement, the 2016-17 Petrol Supply Agreement, the 2018-20 Petrol Supply Agreement and the revision of the annual caps for the CCTs contemplated under the 2018-20 Petrol Supply Agreement are set out in the Company's announcements dated 31 December 2014, 31 December 2015, 4 December 2017 and 5 September 2018, respectively.

(5) Entrustment Loan Framework Agreements

On 19 December 2016, the Company (for itself and on behalf of certain wholly-owned subsidiaries of the Company, together with the Company, collectively "Group A Companies") and Jiuzhou Port Company (for itself and on behalf of other certain entities (excluding Jiuzhou Port Company) that are treated as non wholly-owned subsidiaries of the Company from an accounting's perspective and are connected persons of the Company by virtue of ZJ Holdings' interest therein, collectively "Group B Companies") entered into a framework agreement (the "2017-18 Entrustment Loan Framework Agreement"), pursuant to which the parties to the 2017-18 Entrustment Loan Framework Agreement shall conduct the entrustment loan arrangement upon request from time to time and during the term of the 2017-18 Entrustment Loan Framework Agreement through Zhuhai Jiuzhou Corporate Management Limited* (珠海九洲企業管理有限公司) ("Zhuhai Jiuzhou Corporate Management"), a wholly-owned subsidiary of the Company, and an independent third party financial institution in the PRC (the "Financial Institution") (as entrustment loan lending agent) which is qualified to engage in entrustment loan business.

It was expected that the CCTs under the 2017-18 Entrustment Loan Framework Agreement will continue beyond its expiry on 31 December 2018. On 18 October 2018, the Company (for itself and on behalf of other Group A Companies) and Jiuzhou Port Company (for itself and on behalf of the Group B Companies) entered into a framework agreement (the "2019-21 Entrustment Loan Framework Agreement"), pursuant to which the parties to the 2019-21 Entrustment Loan Framework Agreement shall conduct the entrustment loan arrangement upon request from time to time and during the term of the 2019-21 Entrustment Loan Framework Agreement through Zhuhai Jiuzhou Corporate Management and the Financial Institution (as entrustment loan lending agent).

ZJ Holdings is a substantial and controlling shareholder and a connected person of the Company under the Listing Rules. Jiuzhou Port Company is indirectly owned as to 90% and 10% by the Company and ZJ Holdings, respectively, and accordingly, Jiuzhou Port Company is a connected subsidiary under Rule 14A.16 of the Listing Rules. Jiuzhou Port Company and each of the other Group B Companies is treated as a non wholly-owned subsidiary of the Company from an accounting perspective and connected person of the Company by virtue of ZJ Holdings' interest therein.

At the special general meeting of the Company held on 7 December 2018, the 2019-21 Entrustment Loan Framework Agreement, the transactions contemplated thereby and the related annual caps were approved by the independent shareholders of the Company.

The parties to the 2019-21 Entrustment Loan Framework Agreement proposed that:

(i) the annual cap for the entrustment loans to be provided by members of the Group (including Group A Companies, Jiuzhou Port Company and Group B Companies) to relevant connected persons of the Company (including Jiuzhou Port Company and Group B Companies) (as the case may be) together with the relevant accrued interest thereof for each of FY2019, FY2020 and FY2021 shall not exceed RMB750 million; in other words, the aggregate transaction amount of outstanding loans provided by members of the Group to relevant connected persons of the Company from time to time (i.e. principal) together with relevant accrued interest thereof, in aggregate, during each of FY2019, FY2020 and FY2021 and during the term of the 2019-21 Framework Agreement shall not exceed RMB750 million; and

(ii) the annual cap for the entrustment loans to be provided by relevant connected persons of the Company (including Jiuzhou Port Company and Group B Companies) to members of the Group (including Group A Companies, Jiuzhou Port Company and Group B Companies) (as the case may be) together with the relevant accrued interest thereof for each of FY2019, FY2020 and FY2021 shall not exceed RMB1,500 million, RMB2,000 million and RMB2,500 million, respectively; in other words, the aggregate transaction amount of outstanding loans provided by the relevant connected persons of the Company to members of the Group from time to time (i.e. principal) together with relevant accrued interest thereof, in aggregate, during each of FY2019, FY2020 and FY2021 and during the term of the 2019-21 Framework Agreement shall not exceed RMB1,500 million, RMB2,000 million and RMB2,500 million, respectively.

The actual amount of the transactions provided by members of the Group (including Group A Companies, Jiuzhou Port Company and Group B Companies) to relevant connected persons of the Company (including Jiuzhou Port Company and Group B Companies) as at 31 December 2018 was RMB0 million. The actual amount of the transactions provided by relevant connected persons of the Company (including Jiuzhou Port Company and Group B Companies) to members of the Group (including Group A Companies, Jiuzhou Port Company and Group B Companies) as at 31 December 2018 was RMB740 million.

Details of the 2017-18 Entrustment Loan Framework Agreement and the 2019-21 Entrustment Loan Framework Agreement are set out in the Company's announcements dated 19 December 2016, 12 January 2017, 18 October 2018 and 9 November 2018 and the circulars dated 23 January 2017 and 19 November 2018.

(6) Cleaning Services Framework Agreement

On 18 September 2018, ZJ Development Company, entered into the a framework agreement (the "Cleaning Services Framework Agreement") with ZJ Property Management, a wholly-owned subsidiary of ZJ Holdings, pursuant to which, ZJ Property Management, as service provider, agreed to provide to ZJ Development Company the certain cleaning and miscellaneous services at the Properties in return for services fees.

ZJ Property Management is a wholly-subsidiary of ZJ Holdings, which is a substantial and controlling shareholder of the Company. Accordingly, ZJ Property Management is an associate of ZJ Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Cleaning Services Framework Agreement constitute CCTs of the Company under Chapter 14A of the Listing Rules.

For FY2018, the total service fee under the Cleaning Services Framework Agreement amounted to RMB2,201,000 (2017: Nil), in aggregate.

Details of the Cleaning Services Framework Agreement are set out in the Company's announcement dated 18 September 2018.

(7) Construction Services Agreement

On 23 November 2018, Zhuhai Jiuzhou Property Development Limited* (珠海九洲置業開發有限公司) ("JPD Company") entered into a construction services agreement (the "Construction Services Agreement") with ZJ Development Company, pursuant to which, ZJ Development Company agreed to provide to JPD Company certain construction services, which include, among others, pre-construction management, planning and design management, cost management, project management, bidding management, completion and delivery management and file management during a period of 32 months commencing on 23 November 2018 and ending on 30 June 2021.

JPD Company is a wholly-owned subsidiary of the Company. ZJ Holdings is a substantial and controlling shareholder of the Company. ZJ Development Company is indirectly owned as to 60% by the Company and 40% by ZJ Holdings, and it is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules, and hence it is a connected person of the Company under Rule 14A.07(5) of the Listing Rules. As such, the transactions contemplated under the Construction Services Agreement constitute CCTs of the Company under Chapter 14A of the Listing Rules.

For FY2018, the total construction services income under Construction Services Agreement amounted to RMB0, in aggregate.

Details of the Construction Services Agreement are set out in the Company's announcement dated 23 November 2018.

(8) Ferry Leasing Agreement

In view of the expected expiry of the licences of some of the ferries operated by HT Shipping for the operation of certain ferry lines, it was planned for HT Shipping to lease a number of ferries from Zhuhai Jiuzhou Shipping Co., Ltd.* (珠海九洲船務有限公司) ("Jiuzhou Shipping") to continue its ferry lines operations. On 28 December 2018, HT Shipping entered into a ferry leasing agreement (the "Ferry Leasing Agreement") with Jiuzhou Shipping to lease four ferries (collectively the "Subject Ferries") from Jiuzhou Shipping for a period commencing from 1 December 2018 to 30 April 2019 (both days inclusive), pursuant to which HT Shipping shall use the Subject Ferries for the operation of the ferry lines between 香洲港北堤碼頭 (Xiangzhou Port*) and 九洲港 (Jiuzhou Port*) on the one part and 桂山碼頭 (Guishan Terminal*), 東澳碼頭 (Dongao Terminal*), 外伶仃碼頭 (Wai Lingding Terminal*) and 萬山碼頭 (Wanshan Terminal*) on the other part.

HT Shipping is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. As Jiuzhou Shipping is wholly-owned by ZJ Holdings, Jiuzhou Shipping is an associate of ZJ Holdings, hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions as contemplated by the Ferry Leasing Agreement thus constitute CCTs for the Company under Chapter 14A of the Listing Rules.

The rental charges payable by HT shipping to Jiuzhou shipping under the Ferry Leasing Agreement (together with the rental charges payable under the previous Ferry Leasing Agreements calculated or an aggregated basis under Rule 14A.81 of the Listing Rules) for FY2018 was RMB3.1 million.

Details of the Ferry Leasing Agreement are set out in the Company's announcement dated 28 December 2018.

The independent non-executive directors of the Company have reviewed the CCTs set out above and have confirmed that these CCTs were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above CCTs.

Other related party transactions disclosed in notes 45(a), (b) and (c) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during FY2018 and are regarded as an "exempted transaction" and a "de minimis transaction", respectively, pursuant to the Listing Rules.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

Auditors

The financial statements has been audited by PricewaterhouseCoopers who will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the 2019 annual general meeting of the Company.

ON BEHALF OF THE BOARD

Huang Xin
Chairman

Hong Kong, 26 March 2019

The board of directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the annual report for FY2018 of the Company and its subsidiaries (the "Group").

The manner in which the principles and code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") are applied and implemented is explained as follows:

Corporate governance practices

The Group strives to maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Group's corporate governance principles emphasise the importance of a quality Board, effective risk management and internal controls together with accountability to shareholders.

The Company recognises the importance of high standards of corporate governance to sustain healthy growth and has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of its business.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules which set out the principles of good corporate governance and two levels of corporate governance practices, as follows:

(a) code provisions, which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or to give considered reasons for deviation.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the CG Code.

Throughout FY2018, the Company has complied with the code provisions as set out in the CG Code in all other respects except that under code provision A.4.1 which requires non-executive directors of the Company should be appointed for a specific term subject to re-election – the Company's directors including non-executive directors and independent non-executive directors, were not appointed for a fixed term of office. The reason for the deviation was that all those directors are subject to retirement by rotation and re-election at least once every three years in accordance with the Company's bye-laws and accordingly, every director shall retire and his appointment being terminated if he is not so re-elected once every three years.

Save as disclosed above, the Company had complied with the code provisions set out in the CG Code during FY2018.

The Company will review periodically and improve its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Board of directors

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance as well as performing the functions set out in the code provision D.3.1 of the CG Code.

The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The overall management of Company's business is vested in the Board, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

All directors shall ensure that they carry out duties in good faith, in compliance with the standards of applicable laws and regulations, and act in the interests of the Company and its shareholders at all times.

Board Composition

Up to the date of publication of this report, the Board currently comprises 11 members, consisting of 4 executive directors, 3 non-executive directors and 4 independent non-executive directors.

The Board of the Company comprises the following directors:

Executive Directors:
Mr. Huang Xin *(Chairman)*
Mr. Jin Tao
Mr. Ye Yuhong
Mr. Li Wenjun

Non-Executive Directors:
Datuk Wira Lim Hock Guan
Mr. Kwok Hoi Hing
Mr. Zou Chaoyong

Independent Non-Executive Directors:
Mr. Hui Chiu Chung
Mr. Chu Yu Lin, David
Mr. Albert Ho
Mr. Wang Yijiang

Alternate Directors:
Mr. Lim Seng Lee (alternate to Datuk Wira Lim Hock Guan)
Mr. Zhu Minming (alternate to Mr. Kwok Hoi Hing)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Save and except for that Mr. Wong Kok Ching is the nephew of Datuk Wira Lim Hock Guan, none of the member of the Board is related to one another and the biographical information of the directors are disclosed under "Directors and Senior Management" on pages 40 to 49.

Independent Non-Executive Directors

During FY2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

All directors, including independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit, Nomination and Remuneration Committees of the Company.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Huang Xin, and the acting Chief Executive Officer is Mr. Jin Tao. Mr. Zhou Shaoqiang has resigned as Chief Executive Officer and executive director, and Mr. Jin Tao took up the role of acting Chief Executive Officer with effect from 15 March 2018. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgement of views.

With the support of the Company Secretary and the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

Appointment/Re-election and Removal of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term and subject to re-election. The Company has deviated from this provision in that the Company's directors including independent non-executive directors are not appointed for a specific term.

Although the directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and re-election at the annual general meeting and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to code provision A.4.2 of the CG Code and the Company's bye-laws.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. The Board has delegated the power to the Nomination Committee to select and recommend candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. The responsibilities of Nomination Committee are set out in the heading "Nomination Committee" below.

Nomination Committee

The Board has established a Nomination Committee for the Company. The Nomination Committee, up to the publication date of this report, comprises 6 members, namely Mr. Huang Xin (Chairman), Mr. Ye Yuhong, Mr. Hui Chiu Chung, Mr. Chu Yu Lin, David, Mr. Albert Ho and Mr. Wang Yijiang, the majority of them are independent non-executive directors.

The primary objectives of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To assess the independence of the independent non-executive directors.
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive.

The Nomination Committee held four meeting during FY2018 and the attendance records are set out below:

Name of directors	Attendance/ Number of Meetings
EXECUTIVE DIRECTORS:	
Mr. Huang Xin *(Chairman)*	4/4
Mr. Ye Yuhong	4/4
INDEPENDENT NON-EXECUTIVE DIRECTORS:	
Mr. Hui Chiu Chung	4/4
Mr. Chu Yu Lin, David	4/4
Mr. Albert Ho	4/4
Mr. Wang Yijiang	4/4

The following is a summary of the work performed by the Nomination Committee during FY2018:

(a) adopting revised board diversity policy;

(b) adopting new Director Nomination Policy;

(c) reviewing and evaluating the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and shareholders' meetings;

(d) reviewing and recommending the re-appointment of the retiring Directors; and

(e) assessing independence of the independent non-executive Directors.

In accordance with the Company's bye-laws, the Company's directors, Mr. Jin Tao, Mr. Ye Yuhong, Mr. Kwok Hoi Hing, Mr. Zou Chaoyong and Mr. Hui Chiu Chung, shall retire by rotation at the forthcoming annual general meeting.

The Company will issue a circular containing detailed information of the retiring directors standing for re-election at the forthcoming annual general meeting.

The Nomination Committee has adopted the revised board diversity policy and will review annually the structure, size and composition of the Board and where appropriate make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Nomination Committee considered an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth is maintained.

Training Induction and Continuing Professional Development of Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors of the Company are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development as well as reading material on relevant topics to directors will be arranged and issued whenever necessary.

All directors of the Company confirmed that they have complied with the code provision A.6.5 of the CG Code on directors' training. During the reporting year, all directors have participated in continuous professional development by attending seminars/in-house briefing and reading materials on the following topics to develop and refresh their knowledge and skills and provided their records of training to the Company as follows:

Name of directors	Topics of training covered (Notes)
EXECUTIVE DIRECTORS:	
Mr. Huang Xin *(Chairman)*	1,2,3
Mr. Jin Tao	1,2,3
Mr. Ye Yuhong	1,2,3
Mr. Li Wenjun	1,2,3
Mr. Zhou Shaoqiang *(Chief Executive Officer) (resigned on 15 March 2018)*	1,2,3
NON-EXECUTIVE DIRECTORS:	
Datuk Wira Lim Hock Guan	1,2,3
Mr. Kwok Hoi Hing	1,2,3
Mr. Zou Chaoyong *(appointed on 28 May 2018)*	1,2,3
Mr. Wang Zhe *(resigned on 15 March 2018)*	1,2,3
INDEPENDENT NON-EXECUTIVE DIRECTORS:	
Mr. Hui Chiu Chung	1,2,3
Mr. Chu Yu Lin, David	1,2,3
Mr. Albert Ho	1,2,3
Mr. Wang Yijiang	1,2,3
ALTERNATE DIRECTORS:	
Mr. Lim Seng Lee (alternate to Datuk Wira Lim Hock Guan)	1,2,3
Mr. Zhu Minming (alternate to Mr. Kwok Hoi Hing) *(appointed on 7 December 2018)*	1,2,3

Notes:

1 Corporate governance

2 Regulatory updates

3 Industry updates

Board meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to all directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

The senior management, Chief Executive Officer and Company Secretary attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and final version is open for directors' inspection.

The Company's bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Number of Board Meetings and Directors' Attendance Records

During FY2018, save for executive Board meetings held between executive directors during the normal course of business of the Company, four regular Board meetings and one special Board meeting were held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings and general meetings of the Company during FY2018 are set out below:

Name of directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
EXECUTIVE DIRECTORS:		
Mr. Huang Xin *(Chairman)*	5/5#	3/3
Mr. Jin Tao	4/4	3/3
Mr. Ye Yuhong	4/4	3/3
Mr. Li Wenjun	4/4	3/3
Mr. Zhou Shaoqiang *(Chief Executive Officer)* *(resigned on 15 March 2018)*	N/A	N/A
NON-EXECUTIVE DIRECTORS:		
Datuk Wira Lim Hock Guan (Mr. Lim Seng Lee as his alternate)	5/5#	2/3
Mr. Kwok Hoi Hing (Mr. Zhu Minming, appointed on 7 December 2018, as his alternate)	5/5#	2/3
Mr. Zou Chaoyong *(appointed on 28 May 2018)*	4/4#	2/2
Mr. Wang Zhe *(resigned on 15 March 2018)*	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS:		
Mr. Hui Chiu Chung	5/5#	3/3
Mr. Chu Yu Lin, David	5/5#	3/3
Mr. Albert Ho	5/5#	2/3
Mr. Wang Yijiang	5/5#	0/3

Included a meeting among the Chairman and the non-executive directors (including independent non-executive directors) held during FY2018.

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive directors (including independent non-executive directors) without the presence of the other executive directors during FY2018.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout FY2018.

The Company has also adopted written guidelines (the "Securities Dealing Code") on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company during FY2018.

Delegation of management functions

The Board reserves for its decision on all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's website and are available to shareholders of the Company upon request.

The Board also has the full support of the Chief Executive Officer and the senior management to discharge their responsibilities.

Remuneration of directors and senior management

The Company has established a formal and transparent procedure for formulating policies on remuneration and senior management of the Group. Details of the remuneration of each of the directors of the Company for FY2018 are set out in note 9(a) to the consolidated financial statements.

The remuneration paid to the senior management (excluding the directors) during FY2018 were within the following bands:

Bands	Number of senior management
Nil to RMB1,000,000	7
RMB1,000,001 to RMB1,500,000	–
	7

Remuneration Committee

The Remuneration Committee currently comprises three independent non-executive directors namely, Mr. Hui Chiu Chung (Chairman), Mr. Chu Yu Lin, David and Mr. Albert Ho.

The primary objectives of the Remuneration Committee include the following:

- To make recommendations on the establishment of procedures for developing the remuneration policy and structure of the executive directors and the senior management, such policy shall ensure that no director or any of his/her associates will participate in deciding his/her own remuneration;

- To make recommendations on the remuneration packages of the executive directors and the senior management;

- To review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions; and

- To review and approve the compensation arrangements for the executive directors and the senior management.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the chairman and/or the chief executive officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee held two meetings during FY2018 and the attendance records are set out below:

Name of directors	Attendance/ Number of Meetings
INDEPENDENT NON-EXECUTIVE DIRECTORS:	
Mr. Hui Chiu Chung *(Chairman)*	2/2
Mr. Chu Yu Lin, David	2/2
Mr. Albert Ho	2/2

The following is a summary of work performed by the Remuneration Committee during FY2018:

(a) reviewing and recommending the policy and structure of the remuneration of the directors and senior officers of the Group to the Board;

(b) assessing individual performance of the directors and senior officers of the Group; and

(c) reviewing specific remuneration packages of the directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances.

Accountability and audit

Directors' Responsibilities for Financial Reporting

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for FY2018. The directors are also responsible for overseeing the preparation of consolidated financial statements of the Company with a view to ensuring that such consolidated financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with. In such connection, the Board received from the senior management the management accounts, explanation and relevant information which enable the Board to make an informed assessment for approving the consolidated financial statements for FY2018.

As at the date of this report, the directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

There is no different view taken by the Audit Committee from that of the Board regarding selection, appointment, resignation or dismissal of the external auditors.

Risk Management and Internal control

Responsibility of the Board

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage the risk.

A sound and effective system of risk management and internal control system are designed to achieve the Group's strategic objectives and safeguard shareholder investments and Company assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management and Internal Control Framework

Management is responsible for setting the appropriate tone from the top, performing risk assessment, and owning the design, implementation and maintenance of internal control. Essential to this risk management and internal control systems are well defined policies and procedures that are properly documented and communicated to employees.

The operational manual forms the basis of all the Company's major guidelines and procedures and sets forth the control standards required for functioning of the Company's business entities. The policies address legal, regulatory, and operational topics, including occupational healthy and safety, cost control management, delegation of authority, contract management, etc.

Our risk management and internal control framework is founded with the following key components:

Key Parties	Roles and Responsibilities
The Board	• Has the overall responsibility for the Group's risk management and internal control systems • Oversees the actions of management and monitors the overall effectiveness of the risk management system and internal audit function on an ongoing basis • Sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly
Audit Committee	• Supports the Board in monitoring risk exposure and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems
Internal Audit	• Supports and reports directly to the Audit Committee in reviewing the effectiveness of the risk management and internal control systems
Senior Management	• Assess enterprise-wide risks and develop mitigating measures • Designs, implements and monitors the risk management and internal control systems
Operation Management	• Implements and monitors the risk management and internal control procedures across business operations and functional areas

Risk Management and Enterprise-Wide Risk Assessment

A risk management manual has been established to provide a framework for the identification, analysis, evaluation, treatment, monitoring, reporting and managing of key and significant risks at all levels across the Group to support the achievement of the organisation's overall strategic objectives.

During the year, an annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key and significant risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Moreover, remedial actions or mitigation control measures are developed to manage these risks to an acceptable level.

Internal Audit

The Internal Audit Department is led by the Head of Internal Audit, who reports directly to the Audit Committee of the Company. The Internal Audit Department is primarily responsible for conducting reviews on operational, financial and compliance controls of the operating entities to ensure their compliance with the Group's risk management and internal control policies and procedures.

Internal Audit Department is independent from operation management and have full access to data required in performing internal audit reviews. Audits are conducted according to the multiple year internal audit plan ("Internal Audit Plan") approved by the Audit Committee. This Internal Audit Plan is developed by adopting a risk-based approach for every three years and reviewed annually. Ad-hoc internal audit assignments are performed on request by senior management or Audit Committee.

During the process of the internal audits, the Internal Audit Department identified internal control deficiencies and weakness, proposed recommendations for improvements, and followed up the status of the agreed remedial actions with management and process owners.

Review of Risk Management and Internal Control Systems

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

During FY2018, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate in all material respects. In addition, the Board has reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Procedures and Controls over Handling and Dissemination of Inside Information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. An inside information handling procedure has been established to lay down practical guidelines on identification, reporting and disclosure of inside information. All members of the Board, senior management, executives, head of departments, and staff who are likely to possess inside information are bound by this policy and the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

Also, staff who have access to these inside information is required to sign a written confidentiality agreement with the Company and keep the unpublished inside information strictly confidential.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors namely, Mr. Albert Ho (Chairman), Mr. Hui Chiu Chung and Mr. Chu Yu Lin, David (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant, internal auditor or external auditors before submission to the Board;
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and
- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

The Audit Committee provides supervision on the risk management and internal control systems of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During FY2018, the Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2018, annual results and annual report for FY2017, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management review and process as well as its effectiveness, connected transactions and the re-appointment of the external auditors.

The Audit Committee also met the external auditors twice during FY2018.

The Audit Committee held two meetings during FY2018 and the attendance records are set out below:

Name of directors	Attendance/ Number of Meetings
INDEPENDENT NON-EXECUTIVE DIRECTORS:	
Mr. Albert Ho *(Chairman)*	2/2
Mr. Hui Chiu Chung	2/2
Mr. Chu Yu Lin, David	2/2

External auditors and auditors' remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 97 to 102.

During FY2018, the remuneration paid to the Company's auditors, PricewaterhouseCoopers, is set out below:

Category of services	Fees paid/Payable (HK$'000)
Audit service	2,235
Non-audit services	
• Interim review	686
• Taxation service	76
• Continuing connected transactions report	46
• Others	600
Total	3,643

Corporate governance functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Securities Dealing Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Communication with shareholders and investors

The Company believes that effective communication with its shareholders is essential for enhancing investor relations and investors' understanding on the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decisions.

The general meetings of the Company provide an important channel for exchange of views between the Board and the shareholders of the Company. The chairman of the Board as well as chairman of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

During FY2018, the Company has not made any change to its memorandum of association and bye-laws of the Company. A consolidated version of the Company's memorandum of association and bye-laws is available on the Company's website and the Stock Exchange's website respectively.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company maintains a website at www.0908.hk, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company at its principal place of business in Hong Kong or via email to info@0908.hk for any inquiries.

The 2019 Annual General Meeting ("AGM") will be held on Tuesday, 25 June 2019. The notice of AGM will be sent to shareholders of the Company at least 20 clear business days before the AGM.

Company secretary

Mr. Chan Chit Ming resigned as the financial controller and company secretary of the Company on 1 June 2018. Ms. Leung Kwan Wai was appointed on 1 June 2018 and resigned on 31 December 2018. Mr. Kwok Tung Fai joined the Company as the financial controller on 24 July 2018 and was further appointed as the company secretary on 31 December 2018. Please refer to the section headed "Directors and Senior Management" for his biography. During FY2018, Mr. Kwok has taken no less than 15 hours of relevant professional training.

Shareholders' rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company should arrange for the notice to be sent to its shareholders at least 20 clear business days before an annual general meeting and at least 10 clear business days before all other general meeting according to the CG Code.

The chairman of a shareholders' meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

All resolutions (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) put forward at shareholders' meetings must be taken by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholders' meetings respectively.

The directors may, whenever they think fit, convene a special general meeting other than annual general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act 1981 of Bermuda, and, in default, may be convened by the requisitionists according to the Company's bye-laws.

A. Convening of Special General Meeting on Requisition and Putting Forward Proposals at General Meetings

Shareholders holding not less than one-tenth of the paid-up share capital of the Company which carries the right of voting at general meetings of the Company have the right to requisite the directors to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist and deposited at the registered office of the Company.

If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting, the requisitionist, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a special general meeting of the Company.

B. Enquiries from Shareholders

The Company's website (www.0908.hk) provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company.

pwc 羅兵咸永道

To the Shareholders of Zhuhai Holdings Investment Group Limited
(Incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 218, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Estimation of development costs directly attributable to property development activities
- Estimation of fair value of leasehold buildings

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of development costs directly attributable to property development activities Refer to Note 4(f) (Critical accounting estimates and assumptions) and Note 7 (Expenses by nature) to the consolidated financial statements. The Group recognised cost of properties sold of RMB2,219,910,000 for the year ended 31 December 2018. Based on industry experience and other available information, management makes estimates on development costs directly attributable to property development activities. We focused on this area because the determination of development costs included in cost of properties sold recognised in 2018 requires estimation which involved significant judgements and estimates towards unbilled construction costs.	Our audit procedures in relation to management's estimation of development costs directly attributable to property development activities included: • Understanding and evaluating management's estimation process on property development costs. • Testing the operating effectiveness of controls including: (a) the approval of budgets for property development costs; and (b) the regular review meetings where management review actual property development costs against detailed budgets. • Examining construction contracts signed and invoices for development costs incurred on a sample basis. • Examining independent supervision report in relation to construction progress on a sample basis. • Circularisation of independent confirmations to construction contractors on a sample basis in confirming the payable balances as at 31 December 2018 and reconciled the confirmed amounts with those recorded by the Group. • Testing transactions after year-end to search for unrecorded liabilities, if any, on a sample basis. We found the management's estimation on development costs directly attributable to property development activities were supported by the available evidence.

Key Audit Matters *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of fair value of leasehold buildings Refer to Note 4(b) (Critical accounting estimates and assumptions) and Note 14 (Property, plant and equipment) to the consolidated financial statements. Management chose to apply the revaluation model for the Group's leasehold buildings. The leasehold buildings are stated at fair value. Management has estimated the fair value of the Group's leasehold buildings to be RMB228,940,000 at 31 December 2018, with a revaluation loss of RMB7,295,000 for the year recorded in the consolidated statement of comprehensive income. Independent external valuations were obtained for all the leasehold buildings in order to support management's estimates. Fair values of leasehold buildings are derived using valuation techniques including the income approach, depreciated replacement cost method and direct comparison method. The valuations are dependent on certain key assumptions that require significant management judgement, including discount rates, estimated rental value, occupancy rates, market comparable sales evidence and construction costs. We focused on this area because the valuation of leasehold buildings requires the use of judgement and estimates.	Our audit procedures in relation to management's estimation of fair value of leasehold buildings included: • Evaluating the independent external valuers' competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions, including discount rates, estimated rental value, occupancy rates, market comparable sales evidence and construction costs, by making reference to market data of comparable properties and engaging our internal valuation experts; and • Performing testing over the source data provided by the Group to the independent external valuers, on a sample basis, to satisfy ourselves of the accuracy and reasonableness of the property information used by the valuers. We found the key assumptions, including discount rates, estimated rental value, occupancy rates, market comparable sales evidence and construction costs, were supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**9,248,350**	3,835,638
Cost of sales	7	**(7,919,357)**	(3,191,859)
Gross profit		**1,328,993**	643,779
Other income and gains, net	6	**71,263**	103,594
Selling and distribution expenses	7	**(149,118)**	(127,009)
Administrative expenses	7	**(237,308)**	(221,289)
Other expenses	7	**(5,858)**	(18,790)
Finance expenses	10	**(9,346)**	(7,581)
Share of profits/(loss) of:			
Joint ventures	22	**469**	(488)
Associates	23	**4,464**	(3,636)
Profit before tax		**1,003,559**	368,580
Income tax expense	11	**(606,715)**	(210,632)
Profit for the year		**396,844**	157,948
Profit attributable to:			
Owners of the Company		**177,028**	61,479
Non-controlling interests		**219,816**	96,469
		396,844	157,948
Earnings per share attributable to owners of the Company for the year	12		
Basic earnings per share		**RMB12.40 cents**	RMB4.31 cents
Diluted earnings per share		**RMB12.40 cents**	RMB4.31 cents

The notes on pages 110 to 218 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**396,844**	157,948
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Fair value loss on available-for-sale investments	**–**	(1,968)
Exchange differences on translation of foreign operations	**(26,559)**	7,539
	(26,559)	5,571
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations	**(24,093)**	11,331
(Loss)/gain on property revaluation	**(5,471)**	3,463
Fair value gain on financial assets at fair value through other comprehensive income	**865**	–
	(28,699)	14,794
Other comprehensive (loss)/income for the year, net of tax	**(55,258)**	20,365
Total comprehensive income for the year	**341,586**	178,313
Attributable to:		
Owners of the Company	**124,822**	78,012
Non-controlling interests	**216,764**	100,301
	341,586	178,313

The notes on pages 110 to 218 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**1,138,530**	1,106,137
Investment properties	15	**26,770**	–
Prepaid land lease payments	16	**360,237**	374,040
Rights to use port facilities	17	**12,176**	12,751
Properties under development	18	**2,813,285**	3,353,467
Intangible asset	20	**3,865**	3,865
Interests in joint ventures	22	**92,612**	10,001
Interests in associates	23	**34,938**	4,953
Available-for-sale investments	24	**–**	7,439
Financial assets at fair value through other comprehensive income	24	**8,412**	–
Prepayments and deposits	25(a)	**26,173**	30,695
Restricted bank balances	30	**108,762**	100,000
Deferred tax assets	37	**91,564**	102,284
Total non-current assets		**4,717,324**	5,105,632
Current assets			
Properties under development	18	**3,543,586**	3,256,533
Completed properties held-for-sale	19	**76,071**	1,083
Securities measured at fair value through profit or loss	26	**529**	644
Inventories	27	**38,173**	15,577
Trade receivables	28	**923,146**	113,688
Prepayments, deposits and other receivables	25(b)	**346,366**	307,212
Factoring receivables	29	**910,704**	–
Prepaid tax		**279,694**	210,441
Due from related companies	45	**14,930**	10,731
Restricted bank balances	30	**486,756**	998,976
Time deposits	30	**–**	136,322
Cash and cash equivalents	30	**982,527**	1,776,963
Total current assets		**7,602,482**	6,828,170
Total assets		**12,319,806**	11,933,802
Current liabilities			
Trade and bill payables	32	**997,859**	76,167
Deferred income, accrued liabilities and other payables	33	**255,919**	329,864
Properties pre-sale proceeds received from customers		**–**	3,880,694
Contract liabilities	33	**2,382,504**	–
Construction payables	34	**870,057**	647,402
Interest-bearing bank borrowings	35	**701,654**	–
Tax payable		**656,513**	260,205
Due to a major shareholder	45	**66**	2,646
Due to related companies	45	**13,266**	9,602
Total current liabilities		**5,877,838**	5,206,580

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Non-current liabilities			
Interest-bearing bank borrowings	35	**2,146,549**	2,768,282
Deferred income, accrued liabilities and other payables	33	**–**	204,878
Contract liabilities	33	**197,622**	–
Deferred tax liabilities	37	**656,634**	647,112
Defined benefit obligations	38	**122,828**	95,821
Total non-current liabilities		**3,123,633**	3,716,093
Total liabilities		**9,001,471**	8,922,673
Equity			
Equity attributable to owners of the Company			
Share capital	39	**142,874**	142,874
Reserves	40	**1,803,921**	1,703,765
		1,946,795	1,846,639
Non-controlling interests		**1,371,540**	1,164,490
Total equity		**3,318,335**	3,011,129
Total equity and liabilities		**12,319,806**	11,933,802

The notes on pages 110 to 218 are an integral part of these consolidated financial statements.

The financial statements on pages 103 to 218 were approved by the Board of Directors on 26 March 2019 and were signed on its behalf.

Huang Xin	**Jin Tao**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Capital and reserves attributable to owners of the Company														
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Warrant reserve RMB'000 (Note 36)	Other reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Financial assets at fair value through other comprehensive income revaluation reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 31 December 2017	142,874	851,806	477,600	(45,257)	559	(214,613)	84,245	796	–	251,842	(170,570)	467,357	1,846,639	1,164,490	3,011,129
Adjustment on adoption of HKFRS 9 (Note 2.2)	–	–	–	–	–	–	–	(796)	796	–	–	(832)	(832)	(322)	(1,154)
Adjustment on adoption of HKFRS 15 (Note 2.2)	–	–	–	–	–	–	–	–	–	–	–	867	867	578	1,445
Restated balance at 1 January 2018	142,874	851,806	477,600	(45,257)	559	(214,613)	84,245	–	796	251,842	(170,570)	467,392	1,846,674	1,164,746	3,011,420
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	177,028	177,028	219,816	396,844
Other comprehensive income/(loss) for the year															
Remeasurements of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	–	(21,038)	(21,038)	(3,055)	(24,093)
Loss on property revaluation	–	–	–	–	–	–	(5,471)	–	–	–	–	–	(5,471)	–	(5,471)
Fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	865	–	–	–	865	–	865
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(26,562)	–	(26,562)	3	(26,559)
Total other comprehensive income/(loss)	–	–	–	–	–	–	(5,471)	–	865	–	(26,562)	(21,038)	(52,206)	(3,052)	(55,258)
Total comprehensive income/(loss)	–	–	–	–	–	–	(5,471)	–	865	–	(26,562)	155,990	124,822	216,764	341,586
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	1,280	1,280
Derecognition of non-controlling interest upon deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(11,250)	(11,250)
2017 final dividend paid	–	–	–	–	–	–	–	–	–	–	–	(24,701)	(24,701)	–	(24,701)
Appropriation to statutory reserve	–	–	–	–	–	–	–	–	–	75,307	–	(75,307)	–	–	–
Transfer upon expiry of warrants	–	–	–	–	(559)	–	–	–	–	–	–	559	–	–	–
Total transactions with equity holders, recognised directly in equity	–	–	–	–	(559)	–	–	–	–	75,307	–	(99,449)	(24,701)	(9,970)	(34,671)
At 31 December 2018	142,874	851,806	477,600	(45,257)	–	(214,613)	78,774	–	1,661	327,149	(197,132)	523,933	1,946,795	1,371,540	3,318,335

The notes on pages 110 to 218 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Warrant reserve RMB'000 (Note 36)	Other reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Capital and reserves attributable to owners of the Company													
At 1 January 2017	142,874	851,806	477,600	(45,257)	559	(214,613)	80,782	2,764	214,766	(178,109)	499,314	1,832,486	1,213,043	3,045,529
Comprehensive income														
Profit for the year	–	–	–	–	–	–	–	–	–	–	61,479	61,479	96,469	157,948
Other comprehensive income for the year														
Remeasurements of defined benefit obligations	–	–	–	–	–	–	–	–	–	–	7,499	7,499	3,832	11,331
Gain on property revaluation	–	–	–	–	–	–	3,463	–	–	–	–	3,463	–	3,463
Fair value loss on available-for-sale investments	–	–	–	–	–	–	–	(1,968)	–	–	–	(1,968)	–	(1,968)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	7,539	–	7,539	–	7,539
Total other comprehensive income/(loss)	–	–	–	–	–	–	3,463	(1,968)	–	7,539	7,499	16,533	3,832	20,365
Total comprehensive income/(loss)	–	–	–	–	–	–	3,463	(1,968)	–	7,539	68,978	78,012	100,301	178,313
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	11,250	11,250
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(160,104)	(160,104)
2016 final dividend paid	–	–	–	–	–	–	–	–	–	–	(25,544)	(25,544)	–	(25,544)
2016 special dividend paid	–	–	–	–	–	–	–	–	–	–	(38,315)	(38,315)	–	(38,315)
Appropriation to statutory reserve	–	–	–	–	–	–	–	–	37,076	–	(37,076)	–	–	–
Total transactions with equity holders, recognised directly in equity	–	–	–	–	–	–	–	–	37,076	–	(100,935)	(63,859)	(148,854)	(212,713)
At 31 December 2017	142,874	851,806	477,600	(45,257)	559	(214,613)	84,245	796	251,842	(170,570)	467,357	1,846,639	1,164,490	3,011,129

The notes on pages 110 to 218 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	42	**(340,064)**	806,231
Income taxes paid		**(257,595)**	(295,421)
Net cash flows (used in)/generated from operating activities		**(597,659)**	510,810
Cash flows from investing activities			
Interest received		**24,979**	36,165
Purchases of property, plant and equipment		**(157,405)**	(214,170)
Capital contribution to associates		**(25,521)**	(3,850)
Capital contribution to a new joint venture		**(82,142)**	–
Proceeds from disposal of property, plant and equipment		**23,477**	20,296
Decrease in restricted bank balances		**23,596**	–
Decrease/(increase) in time deposits		**136,322**	(136,322)
Net cash flows used in investing activities		**(56,694)**	(297,881)
Cash flows from financing activities			
Capital injection by non-controlling interests		**1,280**	11,250
Refund to non-controlling interests upon deregistration of a subsidiary		**(11,250)**	–
(Increase)/decrease in restricted bank balances		**(48,915)**	2,381
New bank borrowings		**304,526**	2,221,342
Repayment of bank borrowings		**(250,000)**	(1,790,495)
Cash repayment to related companies		**(802)**	(786)
Cash receipt from related companies		**1,048**	–
Dividends paid to shareholders		**(24,701)**	(63,859)
Dividends paid to non-controlling shareholders		**–**	(160,104)
Interest paid		**(108,386)**	(122,475)
Repayment of loan to a major shareholder		**–**	(600,000)
Net cash flows used in financing activities		**(137,200)**	(502,746)
Net decrease in cash and cash equivalents		**(791,553)**	(289,817)
Cash and cash equivalents at beginning of year		**1,776,963**	2,082,239
Effect of foreign exchange rate changes, net		**(2,883)**	(15,459)
Cash and cash equivalents at end of year		**982,527**	1,776,963

The notes on pages 110 to 218 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Zhuhai Holdings Investment Group Limited (the "Company") and its subsidiaries (together, the "Group") was engaged in the following principal activities:

- investment holding
- management of a holiday resort
- management of a theme park
- management of an amusement park
- operation of a golf club
- property development
- provision of financial information services, provision of factoring services and internet financial information intermediary services
- provision of port facilities
- provision of ferry services
- trading and distribution of fuel oil

The Company is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Units 3709-10, 37th Floor, West Tower, Shun Tak Centre, 168- 200 Connaught Road Central, Sheung Wan, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis as modified by the revaluation of buildings classified as property, plant and equipment, revaluation of investment properties, financial assets at fair value through other comprehensive income and securities measured at fair value through profit or loss, which are carried at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their reporting commencing 1 January 2018:

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

The impact of the adoption of HKFRS 9, “Financial Instruments” and HKFRS 15, “Revenue from Contracts with Customers” are disclosed in Note 2.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates or Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) New standards, amendments to existing standards and interpretations not yet adopted *(Continued)*

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB30,497,000 (Note 44). Of these lease commitments, the Group estimates those related to payments for short-term and low value leases which will be recognised on straight-line basis as expense in profit or loss are insignificant. For the remaining lease commitments, the Group expects to recognise right-of-use assets on 1 January 2019, lease liabilities (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred taxation.

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) New standards, amendments to existing standards and interpretations not yet adopted *(Continued)*

HKFRS 16, "Leases" *(Continued)*

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments arising from the new impairment and revenue recognition rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

Consolidated statement of financial position (extract)	31 December 2017 As originally presented RMB'000	Effects of adoption of HKFRS 9 RMB'000	Effects of adoption of HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
Non-current assets				
Available-for-sale investments	7,439	(7,439)	–	–
Financial assets at fair value through other comprehensive income	–	7,439	–	7,439
Deferred tax assets	102,284	385	–	102,669
Current assets				
Trade receivables	113,688	(1,539)	–	112,149
Prepayments, deposits and other receivables	307,212	–	1,445	308,657
Current liabilities				
Properties pre-sale proceeds received from customers	3,880,694	–	(3,880,694)	–
Deferred income, accrued liabilities and other payables	329,864	–	(62,523)	267,341
Contract liabilities	–	–	3,943,217	3,943,217
Non-current liabilities				
Deferred income, accrued liabilities and other payables	204,878	–	(187,738)	17,140
Contract liabilities	–	–	187,738	187,738
Equity				
Reserves	1,703,765	(832)	867	1,703,800
Non-controlling interests	1,164,490	(322)	578	1,164,746

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 "Financial Instruments" – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.12. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The total impact on the Group's retained profits due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

At 1 January 2018	Notes	RMB'000
Opening retained profits – HKAS 39		467,357
Reclassify investments from available-for-sale investments to financial assets at fair value through other comprehensive income	(i)	–
Increase in allowance for impairment of trade receivables, net of tax	(ii)	(1,154)
Shared by non-controlling interests		322
Adjustment to retained profits from adoption of HKFRS 9		(832)
Opening retained profits – HKFRS 9		466,525

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 "Financial Instruments" – Impact of adoption *(Continued)*

(i) Classification and measurements

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The impact of the reclassification on consolidated statement of financial position is as follows:

At 1 January 2018	**Available-for-sale investments**	**Financial assets at fair value through other comprehensive income**
	RMB'000	RMB'000
Opening balance – HKAS 39	7,439	–
Reclassify investments from available-for-sale investments to financial assets at fair value through other comprehensive income	(7,439)	7,439
Opening balance – HKFRS 9	–	7,439

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 "Financial Instruments" – Impact of adoption *(Continued)*

(i) Classification and measurements (Continued)

The impact of these changes on the Group's equity is as follows:

At 1 January 2018	**Available-for-sale investments revaluation reserve**	**Financial assets at fair value through other comprehensive income revaluation reserve**
	RMB'000	RMB'000
Opening balance – HKAS 39	796	–
Reclassify investments from available-for-sale investments to financial assets at fair value through other comprehensive income	(796)	796
Opening balance – HKFRS 9	–	796

Equity investments previously classified as available-for-sale investments

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale investments, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB7,439,000 were reclassified from available-for-sale investments to financial assets at fair value through other comprehensive income and fair value gains of RMB796,000 were reclassified from the available-for-sale revaluation reserve to the financial assets at fair value through other comprehensive income revaluation reserve on 1 January 2018.

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 "Financial Instruments" – Impact of adoption *(Continued)*

(i) ***Classification and measurements*** *(Continued)*

Reclassifications of financial instruments on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference*
			RMB'000	RMB'000	RMB'000
Non-current financial assets					
Available-for-sale investments	Available-for-sale	Fair value through other comprehensive income	7,439	7,439	–
Restricted bank balances	Amortised cost	Amortised cost	100,000	100,000	–
Current financial assets					
Securities measured at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	644	644	–
Trade receivables	Amortised cost	Amortised cost	113,688	112,149	(1,539)
Financial assets included in other receivables	Amortised cost	Amortised cost	36,896	36,896	–
Due from related companies	Amortised cost	Amortised cost	10,731	10,731	–
Restricted bank balances	Amortised cost	Amortised cost	998,976	998,976	–
Time deposits	Amortised cost	Amortised cost	136,322	136,322	–
Cash and cash equivalents	Amortised cost	Amortised cost	1,776,963	1,776,963	–
Current financial liabilities					
Trade and bills payables	Amortised cost	Amortised cost	76,167	76,167	–
Financial liabilities included in deferred income, accrued liabilities and other payables	Amortised cost	Amortised cost	122,406	122,406	–
Construction payables	Amortised cost	Amortised cost	647,402	647,402	–
Due to a major shareholder	Amortised cost	Amortised cost	2,646	2,646	–
Due to related companies	Amortised cost	Amortised cost	9,602	9,602	–
Non-current financial liabilities					
Interest-bearing bank borrowings	Amortised cost	Amortised cost	2,768,282	2,768,282	–
Financial liabilities included in deferred income, accrued liabilities and other payables	Amortised cost	Amortised cost	17,140	17,140	–

* The differences noted in this column are the result of applying the new expected credit loss model. The reclassifications of the financial instruments on adoption of HKFRS 9 did not result in any changes to measurements.

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) HKFRS 9 "Financial Instruments" – Impact of adoption *(Continued)*

(ii) Impairment of financial assets

The Group has three types of financial assets as at 1 January 2018 that are subject to HKFRS 9's new expected credit loss model:

- other receivables
- amounts due from related companies
- trade receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained profits and equity is disclosed in the table in Note 2.2(a).

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

While cash and cash equivalents, time deposits and restricted bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Other receivables

The management considered the impairment loss on other receivables was immaterial.

Amounts due from related companies

The impairment loss on amounts due from related companies was immaterial.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. By using the expected credit losses model, an additional provision for trade receivables of RMB1,539,000 was recognised as at 1 January 2018 for those trade receivables whose credit risk has been assessed as other than low. Note 3.1(b)(2) provides details about the calculation of the allowance.

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in accounting policies that relate to revenue recognition, contract costs and presentation of contract liabilities.

Details of the accounting policies under HKFRS 15 are disclosed in Note 2.28.

There are reclassification of properties pre-sale proceeds received from customers of approximately RMB3,880,694,000, other advance receipts from customers and deferred income from golf club membership previously classified as "Deferred income, accrued liabilities and other payables" of approximately RMB250,261,000 to contract liabilities as at 1 January 2018.

As at 1 January 2018, following adoption of HKFRS 15, stamp duty and other costs directly attributable to obtain contracts totaling RMB1,445,000 were capitalised. The asset is amortised consistent with the pattern of recognition of the associated revenue. In prior reporting periods, such costs were expensed as they did not qualify for recognition as an asset under any of the other accounting standards.

The impact on the Group's retained profits as at 1 January 2018 is as follows:

At 1 January 2018	RMB'000
Retained profits – after HKFRS 9 restatement (see Note 2.2(a))	466,525
Capitalisation of costs directly attributable to obtaining contracts	1,445
Shared by non-controlling interests	(578)
Retained profits – after HKFRS 9 and HKFRS 15 restatement	467,392

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption *(Continued)*

The following tables summarise the estimated impact on adoption of HKFRS 15 on the Group's consolidated financial statement for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by adoption of HKFRS 15.

Consolidated statement of profit or loss (extract)	Amounts reported in accordance with HKFRS 15 RMB'000	Hypothetical amounts under HKAS 18 and HKAS 11 RMB'000	**Estimated impact of adoption of HKFRS 15 in 2018 RMB'000**
Cost of sales	(7,919,357)	(7,917,600)	**(1,757)**
Gross profit	1,328,993	1,330,750	**(1,757)**
Administrative expenses	(237,308)	(238,807)	**1,499**
Profit for the year	396,844	397,102	**(258)**
Profit attributable to			
Owners of the Company	177,028	177,183	**(155)**
Non-controlling interests	219,816	219,919	**(103)**
Earnings per share attributable to owners of the Company for the year			
Basic earnings per share	RMB12.40 cents	RMB12.40 cents	**–**
Diluted earnings per share	RMB12.40 cents	RMB12.40 cents	**–**
Total comprehensive income for the year	341,586	341,844	**(258)**
Attributable to:			
Owners of the Company	124,822	124,977	**(155)**
Non-controlling interests	216,764	216,867	**(103)**

2 Summary of significant accounting policies *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption *(Continued)*

Consolidated statement of financial position (extract)	Amounts reported in accordance with HKFRS 15 RMB'000	Hypothetical amounts under HKAS 18 and HKAS 11 RMB'000	**Estimated impact of adoption of HKFRS 15 in 2018 RMB'000**
Current assets			
Prepayments, deposits and other receivables	346,366	345,179	**1,187**
Current liabilities			
Deferred income, accrued liabilities and other payables	255,919	300,583	**(44,664)**
Properties pre-sale proceeds received from customers	–	2,337,840	**(2,337,840)**
Contract liabilities	2,382,504	–	**2,382,504**
Non-current liabilities			
Deferred income, accrued liabilities and other payables	–	197,622	**(197,622)**
Contract liabilities	197,622	–	**197,622**
Equity			
Reserves	1,803,921	1,803,209	**712**
Non-controlling interests	1,371,540	1,371,065	**475**

2 Summary of significant accounting policies *(Continued)*

2.3 Principles of consolidation and equity accounting

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

(i) fair values of the assets transferred,

(ii) liabilities incurred to the former owners of the acquired business,

(iii) equity interests issued by the Group,

(iv) fair value of any asset or liability resulting from a contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 Summary of significant accounting policies *(Continued)*

2.3 Principles of consolidation and equity accounting *(Continued)*

(a) Business combinations *(Continued)*

The excess of the:

(i) consideration transferred,

(ii) amount of any non-controlling interest in the acquired entity, and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2 Summary of significant accounting policies *(Continued)*

2.3 Principles of consolidation and equity accounting *(Continued)*

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (e) below), after initially being recognised at cost.

(d) Joint arrangements

Under HKFRS 11, "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (e) below), after initially being recognised at cost in the consolidated statement of financial position.

(e) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.12(c).

2 Summary of significant accounting policies *(Continued)*

2.3 Principles of consolidation and equity accounting *(Continued)*

(f) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that makes strategic decisions.

2 Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$ and the consolidated financial statements are presented in RMB which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other income and gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as fair value through comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment

Medium term leasehold buildings outside Hong Kong is stated at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed with sufficient regularity by independent professional qualified valuers. Changes arising on the revaluation are dealt with in other comprehensive income and are accumulated in the revaluation reserve, except that, when a deficit arises on revaluation, it will be charged to the consolidated statement of profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to revaluation.

When a surplus arises on revaluation, it will be credited to the consolidated statement of profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the consolidated statement of profit or loss.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line or reducing balance method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

– Medium term leasehold buildings outside Hong Kong	20 to 30 years, on straight-line basis
– Golf club facilities	10 to 20 years, on straight-line basis
– Vessels	10 to 25 years, on reducing balance basis
– Furniture, fixtures, equipment, motor vehicles, plant and machinery and leasehold improvements	5 to 10 years, on straight-line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised within "Other income and gains, net", in the consolidated statement of profit or loss.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2 Summary of significant accounting policies *(Continued)*

2.8 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in consolidated statement of profit or loss as part of "Other income and gains, net".

2.9 Rights to use port facilities

The Group leases the rights to use port facilities. Significant risks and rewards of ownership are retained by the lessor. Payments made are charged to profit or loss on a straight-line basis over a period of 40 years.

2.10 Intangible assets

Intangible assets of the Group represented golf club membership. Intangible assets acquired separately are measured on initial recognition at cost. The useful life of golf club membership is assessed to be indefinite. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful live are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies *(Continued)*

2.12 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies *(Continued)*

2.12 Investments and other financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments as financial assets measured at amortised cost, financial assets measured subsequently at fair value through OCI, and financial assets measured subsequently at fair value through profit or loss.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other income and gains, net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated statement of profit or loss as "Other income and gains, net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "Other income and gains, net", in consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 Summary of significant accounting policies *(Continued)*

2.12 Investments and other financial assets *(Continued)*

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 28 for further details.

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss,
- Loans and receivables, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See Note 31 for details about each type of financial assets.

(i) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2 Summary of significant accounting policies *(Continued)*

2.12 Investments and other financial assets *(Continued)*

(e) Accounting policies applied until 31 December 2017 *(Continued)*

(ii) Subsequent measurement

The measurement at initial recognition did not change an adoption of HKFRS 9, see description above.

Subsequent to the initial, loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair values are recognised as follows:

(i) for financial assets at fair value through profit or loss – in consolidated statement of profit or loss within other income or other expenses;

(ii) for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income; and

(iii) for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were classified to consolidated statement of profit or loss within "Other income and gains, net".

(iii) Impairment

The Group assesses at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

2 Summary of significant accounting policies *(Continued)*

2.12 Investments and other financial assets *(Continued)*

(e) Accounting policies applied until 31 December 2017 *(Continued)*

(iii) Impairment *(Continued)*

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the consolidated statement of profit or loss.

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in the consolidated statement of profit or loss.

Impairment losses on equity instruments that were recognised in consolidated statement of profit or loss were not reversed through profit or loss in a subsequent period.

2.13 Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 Summary of significant accounting policies *(Continued)*

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Properties under development

Properties under development represent properties being developed for sale and are stated at the lower of cost and net realisable value. Cost comprises the prepaid land lease payments, or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held-for-sale.

2.16 Completed properties held-for-sale

Completed properties held-for-sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 28 for further information about the Group's accounting for trade receivables and Note 3.1(b)(2) for a description of the Group's impairment policies.

2 Summary of significant accounting policies *(Continued)*

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities unless payment is not due within one year after the reporting period.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss as other income or finance expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 Summary of significant accounting policies *(Continued)*

2.22 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 Summary of significant accounting policies *(Continued)*

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets.

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies *(Continued)*

2.24 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(Continued)*

2.25 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies *(Continued)*

2.25 Employee benefits *(Continued)*

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.26 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for share options of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2 Summary of significant accounting policies *(Continued)*

2.27 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Revenue recognition

(a) Sales of properties

Revenue are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

2 Summary of significant accounting policies *(Continued)*

2.28 Revenue recognition *(Continued)*

(b) Sales of goods

The Group trades and distributes fuel oil to other ferry companies and certain wholesalers. Sales of goods are recognised when the control of the goods have been transferred to the customers.

(c) Sales of services

The Group provides various services to its customers, including maritime passenger transportation services, hotel services, tourist attraction services, golf club membership service, provision of port facilities services, financial information services, factoring services and internet financial information intermediary services. For golf club membership service, income is recognised on the straight-line basis over the expected life of membership. For sales of other services, revenue is recognised in the accounting period in which the services are rendered.

(d) Rental income

Rental income is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Incremental costs

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

(g) Accounting for significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

2 Summary of significant accounting policies *(Continued)*

2.29 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

Prepaid land lease payment under operating lease are expensed in the consolidated statement of profit or loss on a straight-line basis over the lease term or when there is impairment, the impairment is expensed in the consolidated statement of profit or loss.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the senior management. Group treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(1) Commodity price risk

The major component included in the Group's cost of sales is fuel oil. The Group is exposed to fluctuations in the fuel oil price which is influenced by global as well as regional supply and demand conditions. An increase in the oil price could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(2) Foreign currency risk

The Group's business operated in PRC is mainly exposed to foreign currency risk arising from HK$.

At 31 December 2018, if HK$ had strengthened/weakened by 5% against the Renminbi with all other variables held constant, post-tax profit for the year would have been RMB591,000 (2017: RMB1,324,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of HK$ denominated monetary assets and liabilities.

(3) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets other than short-term deposits, restricted bank balances, and cash and cash equivalents. The maturity terms of these assets, together with the Group's current borrowings, are within 12 months so that there would not be significant interest rate risk for these financial assets and liabilities.

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the years ended 31 December 2018 and 2017, the Group's long-term borrowings at variable rate were denominated in HK$.

At 31 December 2018, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been RMB808,000 (2017: RMB781,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through other comprehensive income and securities measured at fair value through profit or loss, factoring receivables and deposits with banks and financial institutions, as well as credit exposures from outstanding receivables.

(1) Risk Management

To manage credit risk, the Group has considered the underlying security and the long-established business relationship with the counterparty.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables, if any, has been made. There are no significant concentrations of credit risk within the Group as the intermediate and direct customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

The credit risk of the Group's other financial assets, which comprise, restricted bank balances, time deposits, cash and cash equivalents, securities measured at fair value through profit or loss, financial assets at fair value through other comprehensive income, balances with related parties, factoring receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(2) Impairment of financial assets

Trade receivables

The trade receivables of the Group are subject to the expected credit loss model.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses, the Group categorises its trade receivables based in the nature of customer accounts and shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

31 December 2018	**Current**	**1-90 days past due**	**91-180 days past due**	**Over 180 days past due**	**Total**
Gross carrying amount (RMB'000)	**927,349**	**18**	**253**	**7,504**	**935,124**
Loss allowance (RMB'000)	**(4,441)**	**(1)**	**(32)**	**(7,504)**	**(11,978)**

1 January 2018	Current	1-90 days past due	91-180 days past due	Over 180 days past due	Total
Gross carrying amount (RMB'000)	113,537	90	2,815	7,125	123,567
Loss allowance (RMB'000)	(3,035)	(8)	(1,250)	(7,125)	(11,418)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(2) Impairment of financial assets *(Continued)*

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was incurred when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the present value of estimated future cash flows (excluding future credit losses that have not been incurred) of the trade receivables.

The management of the Group considered the following as indicator of loss event:

- significant financial difficulties of debtor
- probability that the debtor will enter bankruptcy or financial re-organisation

The amount of the loss is recognised in the consolidated statement of profit or loss.

Other financial assets at amortised cost

Other financial assets at amortised cost include factoring receivables, receivables from related parties and other receivables. Except for factoring receivables, management consider low credit risk for other financial assets at amortised cost and did not provide loss allowance for other financial assets at amortised cost based on the historical settlement pattern of these other financial assets and the forward looking recoverability analysis of the counterparties.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(2) ***Impairment of financial assets*** *(Continued)*

Other financial assets at amortised cost (Continued)

Factoring receivables are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Factoring receivables are considered to be low credit risk when they have a low risk of default and the counterparties have strong capacities to meet its contractual cash flow obligations in the near term.

On that basis, the loss allowance as at 31 December 2018 (2017: Nil) was determined as follows for factoring receivables.

31 December 2018	Current	1-90 days past due	91-180 days past due	Over 180 days past due	Total
Gross carrying amount (RMB'000)	912,529	–	–	–	912,529
Loss allowance (RMB'000)	(1,825)	–	–	–	(1,825)

While cash and cash equivalents, time deposits and restricted bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade receivables).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2018		
	Less than 12 months RMB'000	1 to 5 Years RMB'000	Total RMB'000
Trade and bill payables	997,859	–	997,859
Financial liabilities included in deferred income, accrued liabilities and other payables	151,732	–	151,732
Construction payables	870,057	–	870,057
Interest-bearing bank borrowings and interest payments	803,768	2,201,989	3,005,757
Due to a major shareholder	66	–	66
Due to related companies	13,266	–	13,266
Financial guarantees (Note 43)	3,013,078	–	3,013,078
	5,849,826	2,201,989	8,051,815

	As at 31 December 2017		
	Less than 12 months RMB'000	1 to 5 Years RMB'000	Total RMB'000
Trade and bill payables	76,167	–	76,167
Financial liabilities included in deferred income, accrued liabilities and other payables	123,220	17,494	140,714
Construction payables	647,402	–	647,402
Interest-bearing bank borrowings and interest payments	100,221	2,908,593	3,008,814
Due to a major shareholder	2,646	–	2,646
Due to related companies	9,602	–	9,602
Financial guarantees (Note 43)	2,632,585	–	2,632,585
	3,591,843	2,926,087	6,517,930

3 Financial risk management *(Continued)*

3.2 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 the 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bill payables, accrued liabilities and other payables, construction payables, amounts due to a major shareholder and related companies less restricted bank balances, time deposits and, cash and cash equivalents. Capital represents equity attributable to owners of the Company.

	2018 **RMB'000**	2017 RMB'000
Interest-bearing bank borrowings	**2,848,203**	2,768,282
Trade and bill payables	**997,859**	76,167
Accrued liabilities and other payables	**255,919**	339,390
Construction payables	**870,057**	647,402
Due to a major shareholder	**66**	2,646
Due to related companies	**13,266**	9,602
Less: Restricted bank balances	**(595,518)**	(1,098,976)
Less: Time deposits	**–**	(136,322)
Less: Cash and cash equivalents	**(982,527)**	(1,776,963)
Net debt	**3,407,325**	831,228
Equity attributable to owners of the Company	**1,946,795**	1,846,639
Capital and net debt	**5,354,120**	2,677,867
Gearing ratio	**64%**	31%

3 Financial risk management *(Continued)*

3.3 Fair value estimation

Management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed twice a year for interim and annual financial reporting. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

See Note 14 and Note 15 for disclosure of the leasehold buildings and investment properties that are measured at fair value.

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

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

Assets measured at fair value:

	Level 1
	RMB'000
At 31 December 2018	
Financial assets at fair value through other comprehensive income:	
Equity investments of a listed entity in HK	
– Investment, trading and real estate industry	**8,412**
Financial assets at fair value through profit or loss:	
Trading securities of a listed entity in HK	
– Utilities industry	**529**
At 31 December 2017	
Available-for-sale securities:	
Equity investments of a listed entity in HK	
- Investment, trading and real estate industry	7,439
Financial assets at fair value through profit or loss:	
Trading securities of a listed entity in HK	
- Utilities industry	644

There were no transfers of financial instruments between fair value hierarchy classifications during the year.

3 Financial risk management *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments traded in The Hong Kong Stock Exchange and classified as trading securities or financial assets at other comprehensive income. The maximum exposure to credit risk at the reporting date is the fair value of these instruments in the consolidated statement of financial position.

4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of non-financial assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the assets; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

4 Critical accounting estimates and assumptions *(Continued)*

(b) Estimation of fair value of leasehold buildings and investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(i) current gross replacement costs of the improvement less allowance for physical deterioration and all relevant forms of obsolescence and optimisation;

(ii) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value have been disclosed in Note 14 and Note 15 respectively.

(c) Retirement benefit

The Group operates and maintains defined benefit pension plans. The cost of providing the benefits in the defined benefit pension plan is actuarially determined and recognised over the employee's service period by utilising various actuarial assumptions and using the projected unit credit method in accordance with the accounting policy stated in Note 2.25 to the financial statements. These assumptions include, without limitation, the selection of discount rate, annual rate of increase of pension payment and employee's turnover rate. The discount rate is based on management's review of government bonds. The employees' turnover rate is based on historical trends of the Group. Additional information regarding the defined benefit plan is disclosed in Note 38 to the consolidated financial statements.

(d) Income taxes and deferred taxation

Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax 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 income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

4 Critical accounting estimates and assumptions *(Continued)*

(e) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. The Group has not finalised its PRC land appreciation taxes calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and the related land appreciation taxes. The Group recognised the land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(f) Development costs directly attributable to property development activities

The Group allocates portions of land and development costs to properties held and under development for sale. As certain of the Group's property development projects are developed and completed by phases, the budgeted development costs of the whole project are dependent on the estimate on the outcome of total development. Based on the experience and the nature of the development undertaken, the management makes estimates and assumptions concerning the future events that are believed to be reasonable under the circumstances. Given the uncertainties involved in the property development activities, the related actual results may be higher or lower than the amount estimated at the end of the reporting period. Any change in estimates and assumptions would affect the Group's operating performance in current and future years.

5 Operating segment information

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Executive directors monitor 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 profit/(loss) before tax. The profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance expenses, and share of profits/(loss) of joint ventures and associates are excluded from such measurement.

No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

5 Operating segment information *(Continued)*

The Group is organised into business units based on their products and services and has eight reportable operating segments as follows:

(a) the Jiuzhou Blue Sea Jet and Blue Marine Tourism segment consists of the provision of ferry services;

(b) the hotel segment consists of the management of a holiday resort hotel;

(c) the tourist attraction segment consists of the management of a theme park and an amusement park;

(d) the property development segment consists of the development of properties for sale;

(e) the golf club operations segment consists of the provision of comprehensive golf club facilities;

(f) the public utilities segment consists of the provision of port facilities and the trading and distribution of fuel oil;

(g) the financial investments segment consists of the provision of financial information services, provision of factoring services and internet financial information intermediary services; and

(h) the corporate and others segment comprises the Group's investment holding and trading of securities, together with corporate expense items.

Segment assets exclude deferred tax assets, prepaid tax and amounts due from related companies as these assets are managed on group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, amounts due to a major shareholder and related companies, and deferred tax liabilities as these liabilities are managed on group basis.

For the year ended 31 December 2018, one customer of the Group individually accounted for 10% or more (2017: one customer) of the Group's total revenue.

5 Operating segment information *(Continued)*

The following tables present revenue and results for the Group's operating segments for the years ended 31 December 2018 and 2017.

			Green Leisure Tourism and Composite Real Estate								Public Utilities and Financial Investments									
	Jiuzhou Blue Sea Jet and Blue Marine Tourism		Hotel		Tourist attraction		Property development		Golf club operations		Public utilities		Financial investments		Corporate and others		Inter-segment eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue:																				
Sales to external customers	**680,340**	592,758	**160,017**	154,300	**29,704**	37,199	**3,097,578**	1,232,025	**28,558**	25,986	**5,215,064**	1,791,724	**37,089**	1,646	**–**	–	**–**	–	**9,248,350**	3,835,638
Inter-segment sales	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**84,919**	82,453	**–**	–	**–**	–	**(84,919)**	(82,453)	**–**	–
Total	**680,340**	592,758	**160,017**	154,300	**29,704**	37,199	**3,097,578**	1,232,025	**28,558**	25,986	**5,299,983**	1,874,177	**37,089**	1,646	**–**	–	**(84,919)**	(82,453)	**9,248,350**	3,835,638
Segment results	**290,047**	304,669	**11,593**	3,584	**(6,791)**	(12,845)	**745,464**	115,679	**(26,785)**	(24,351)	**71,342**	62,932	**30,416**	(2,560)	**(47,374)**	(20,535)	**(84,919)**	(82,453)	**982,993**	344,120
Interest income																			**24,979**	36,165
Finance expenses																			**(9,346)**	(7,581)
Share of profits/(loss) of:																				
Joint ventures	**469**	(488)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**469**	(488)
Associates	**4,451**	(3,654)	**–**	–	**–**	–	**–**	–	**–**	–	**13**	18	**–**	–	**–**	–	**–**	–	**4,464**	(3,636)
Profit before tax																			**1,003,559**	368,580
Income tax expense																			**(606,715)**	(210,632)
Profit for the year																			**396,844**	157,948

5 Operating segment information *(Continued)*

The following tables present certain assets and liabilities for the Group's operating segments as at 31 December 2018 and 2017.

			Green Leisure Tourism and Composite Real Estate								Public Utilities and Financial Investments							
	Jiuzhou Blue Sea Jet and Blue Marine Tourism		Hotel		Tourist attraction		Property development		Golf club operations		Public utilities		Financial investments		Corporate and others		Consolidated	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Assets and liabilities:																		
Segment assets	416,712	496,452	1,435,348	705,011	272,446	345,830	6,922,128	8,291,426	291,321	286,847	1,173,525	296,215	924,770	318,645	369,818	854,966	11,806,068	11,595,392
Interests in joint ventures	92,612	10,001	–	–	–	–	–	–	–	–	–	–	–	–	–	–	92,612	10,001
Interests in associates	34,162	4,190	–	–	–	–	–	–	–	–	776	763	–	–	–	–	34,938	4,953
Unallocated assets																	386,188	323,456
Total assets																	12,319,806	11,933,802
Segment liabilities	120,300	106,693	170,887	138,611	35,263	34,572	3,208,336	4,576,946	238,559	221,375	1,029,726	137,908	4,751	5,377	18,967	13,344	4,826,789	5,234,826
Unallocated liabilities																	4,174,682	3,687,847
Total liabilities																	9,001,471	8,922,673
Other segment information:																		
Depreciation and amortisation	50,703	21,941	16,226	19,640	22,389	22,502	4,324	1,467	13,598	10,108	6,093	5,892	235	395	202	124	113,770	82,069
Capital expenditure in respect of property, plant and equipment and properties under development (non-current portion)	55,465	50,569	808,303	208,010	6,598	9,386	590,849	466,968	31,729	11,666	2,108	4,935	41	2,037	706	163	1,495,799	753,734
Net fair value losses on securities measured at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	–	–	121	85	121	85
(Write-back of impairment)/ impairment of trade and factoring receivables	(404)	200	(411)	690	224	(5)	(147)	–	(6)	(37)	1,304	125	–	–	–	–	560	973
Write-down of inventories	–	7,418	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	7,418

5 Operating segment information *(Continued)*

Revenue by category is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Maritime passenger transportation services	**680,340**	592,758
Hotel services	**160,017**	154,300
Tourist attraction services	**29,704**	37,199
Sales of properties	**3,097,578**	1,232,025
Golf club membership services	**28,558**	25,986
Trading of fuel oil and provision of port facilities services	**5,215,064**	1,791,724
Financial information services, factoring services and internet financial information intermediary services	**37,089**	1,646
	9,248,350	3,835,638

6 Other income and gains, net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income	**24,979**	36,165
Government grants	**14,813**	9,103
Rental income	**28,102**	27,645
Net fair value losses on securities measured at fair value through profit or loss	**(121)**	(85)
(Losses)/gains on disposal of property, plant and equipment	**(117)**	12,705
Exchange (losses)/gains	**(5,871)**	9,744
Others	**9,478**	8,317
	71,263	103,594

7 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Advertising and promotion expenses	**50,855**	42,593
Amortisation of prepaid land lease payments (Note 16)	**14,765**	11,882
Amortisation of rights to use port facilities (Note 17)	**575**	575
Auditors' remuneration		
– Audit services	**1,933**	1,886
– Non-audit services	**1,218**	1,237
Business tax on sales of properties	**24,760**	48,645
Commission fee	**71,798**	55,860
Cost of inventories sold	**5,201,576**	1,776,882
Cost of properties sold	**2,219,910**	969,574
Depreciation (Note 14)	**98,430**	69,612
Employee benefit expenses (including directors' remuneration) (Note 8)	**281,415**	275,785
Fuel and utilities expenses	**80,953**	54,618
Write-down of inventories (Note 27)	**–**	7,418
Impairment of trade and factoring receivables	**560**	973
Land use tax	**13,741**	16,137
Operating lease payments	**38,664**	26,335
Repairs and maintenance	**40,075**	40,327
Others	**170,413**	158,608
Total cost of sales, selling and distribution expenses, administrative expenses and other expenses	**8,311,641**	3,558,947

8 Employee benefit expenses

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**250,114**	246,950
Pension costs – defined contribution plans (Note a)	**24,069**	21,504
Pension costs – defined benefit plans (Note 38)	**7,232**	7,331
	281,415	275,785

(a) Pension costs – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution pension scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The contributions to the scheme are expensed as incurred.

(b) Five highest paid employees

The five individuals whose emoluments were the highest in the Group for the year include one (2017: two) director whose emoluments is reflected in the analysis presented in Note 9(a)(ii). The emoluments payable to the remaining four (2017: three) individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,713**	1,750
Pension costs – defined contribution plans	**103**	98
	1,816	1,848

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK$)		
Nil – HKD1,000,000	**4**	3

9 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2018 is set out below:

(i) Independent non-executive directors

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Mr. Hui Chiu Chung	**173**	179
Mr. Chu Yu Lin, David	**173**	179
Mr. Albert Ho	**173**	179
Mr. Wang Yijiang	**173**	179
	692	716

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

9 Benefits and interests of directors *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) Executive directors and non-executive directors

	Fees RMB'000	Salaries RMB'000	Allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution paid under a retirement benefits scheme RMB'000	Estimated money value of benefits other than in kind RMB'000	Amounts received or receivable as inducement to join the Company/for accepting office as a director RMB'000	Other benefits RMB'000	Total remuneration RMB'000
2018									
Executive directors:									
Mr. Huang Xin	–	337	61	523	88	–	–	–	1,009
Mr. Zhou Shaoqiang[1]	–	–	–	–	–	–	–	–	–
Mr. Ye Yuhong	–	–	–	–	–	–	–	–	–
Mr. Li Wenjun	–	–	–	–	–	–	–	–	–
Mr. Jin Tao	–	–	–	–	–	–	–	–	–
	–	337	61	523	88	–	–	–	1,009
Non-executive directors:									
Datuk Wira Lim Hock Guan	173	–	–	–	–	–	–	–	173
Mr. Wang Zhe[2]	–	–	–	–	–	–	–	–	–
Mr. Kwok Hoi Hing	–	–	–	–	–	–	–	–	–
Mr. Zou Chaoyong[3]	–	–	–	–	–	–	–	–	–
	173	–	–	–	–	–	–	–	173
	173	337	61	523	88	–	–	–	1,182

9 Benefits and interests of directors *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) Executive directors and non-executive directors *(Continued)*

	Fees RMB'000	Salaries RMB'000	Allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution paid under a retirement benefits scheme RMB'000	Estimated money value of benefits other than in kind RMB'000	Amounts received or receivable as inducement to join the Company/for accepting office as a director RMB'000	Other benefits RMB'000	Total remuneration RMB'000
2017									
Executive directors:									
Mr. Huang Xin	–	349	63	433	79	–	–	–	924
Mr. Zhou Shaoqiang[1]	–	292	62	331	79	–	–	–	764
Mr. Ye Yuhong	–	–	–	–	–	–	–	–	–
Mr. Li Wenjun	–	–	–	–	–	–	–	–	–
Mr. Jin Tao	–	–	–	–	–	–	–	–	–
	–	641	125	764	158	–	–	–	1,688
Non-executive directors:									
Datuk Wira Lim Hock Guan	179	–	–	–	–	–	–	–	179
Mr. Wang Zhe[2]	–	–	–	–	–	–	–	–	–
Mr. Kwok Hoi Hing	–	–	–	–	–	–	–	–	–
	179	–	–	–	–	–	–	–	179
	179	641	125	764	158	–	–	–	1,867

9 Benefits and interests of directors *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) Executive directors and non-executive directors *(Continued)*

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2018	**1,182**	**–**	**1,182**
For the year ended 31 December 2017	1,867	–	1,867

No directors waived any emolument during the year (2017: none).

[1] Mr. Zhou Shaoqiang resigned as executive director and chief executive officer of the Company with effect from 15 March 2018.

[2] Mr. Wang Zhe resigned as non-executive director of the Company with effect from 15 March 2018.

[3] Mr. Zou Chaoyong appointed as non-executive director of the Company with effect from 28 May 2018.

(b) Directors' retirement benefits

None of the directors received any retirement benefits during the year (2017: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

9 Benefits and interests of directors *(Continued)*

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2018, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

10 Finance expenses

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest on bank loans	**111,812**	127,395
Interest on loan from a major shareholder	**–**	11,664
Less: Interest capitalised	**(102,466)**	(131,478)
	9,346	7,581

11 Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
– Hong Kong (Note (a))	**(1)**	(3)
– PRC corporate income tax (Note (b)) and PRC withholding tax (Note (c))	**322,746**	148,996
– Current PRC land appreciation tax (Note (d))	**261,875**	58,793
Deferred income tax (Note 37)	**22,095**	2,846
	606,715	210,632

Note:

(a) Hong Kong profits 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.

(b) PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2017 based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in the PRC is 25% (2017: 25%).

(c) PRC withholding tax

Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. 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 China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

(d) PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

11 Income tax expense *(Continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**1,003,559**	368,580
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**348,959**	127,697
Joint ventures and associates' results reported net of tax	**(1,233)**	1,031
Income not subject to tax	**(474)**	(1,010)
Expenses not deductible for tax purposes	**7,974**	2,369
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**48,943**	34,221
PRC LAT deductible for income tax purpose	**(65,469)**	(14,698)
Tax losses for which no deferred income tax asset was recognised	**6,140**	2,229
Corporate income tax expenses	**344,840**	151,839
Land appreciation tax (including current and deferred LAT)	**261,875**	58,793
Income tax expenses	**606,715**	210,632

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2018			2017		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax credit	After tax
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Remeasurements of defined benefit obligations	**(24,093)**	**–**	**(24,093)**	11,331	–	11,331
(Loss)/gain on property revaluation	**(7,295)**	**1,824**	**(5,471)**	4,617	(1,154)	3,463
Other comprehensive (loss)/income	**(31,388)**	**1,824**	**(29,564)**	15,948	(1,154)	14,794
Deferred tax (Note 37)		**1,824**			(1,154)	

12 Earnings per share attributable to owners of the Company

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares.

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB177,028,000 (2017: profit for the year attributable to owners of the Company of approximately RMB61,479,000) and the weighted average number of ordinary shares in issue during the year of 1,427,797,174 (2017: 1,427,797,174).

(b) Diluted

For the year ended 31 December 2017, the Company had one category of dilutive potential ordinary shares which was warrants. The warrants of the Company had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. For the year ended 31 December 2018, diluted earnings per share equals to basic earnings per share as there was no potential dilutive ordinary shares outstanding.

13 Dividends

The dividends paid in the year ended 31 December 2018 and the year ended 31 December 2017 were RMB24,701,000 (HK2 cents per share) and RMB63,859,000 (HK5 cents per share) respectively. A final dividend in respect of the year ended 31 December 2018 of HK2 cents per share, amounting to a total dividend of RMB25,021,000, are to be proposed at the forthcoming annual general meeting on 25 June 2019. These consolidated financial statements do not reflect these dividends payable.

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Proposed final dividend of HK2 cents (2017: HK2 cents) per ordinary share	**25,021**	24,701

14 Property, plant and equipment

	Construction in progress RMB'000	Medium term leasehold buildings outside Hong Kong RMB'000	Golf club facilities RMB'000	Vessels RMB'000	Furniture, fixtures, equipment motor vehicles, plant and machinery and leasehold improvements RMB'000	Total RMB'000
At 1 January 2017						
Cost or fair value	152,074	285,328	129,446	348,091	374,270	1,289,209
Accumulated depreciation and impairment	–	–	(17,915)	(123,782)	(255,773)	(397,470)
Net book amount	152,074	285,328	111,531	224,309	118,497	891,739
Year ended 31 December 2017						
Opening net book amount	152,074	285,328	111,531	224,309	118,497	891,739
Exchange differences	(1,232)	–	–	–	(2)	(1,234)
Gain on revaluation, net	–	4,617	–	–	–	4,617
Additions	252,771	1,263	9,842	8,229	16,113	288,218
Disposals and write-off	–	(4,305)	(105)	–	(3,181)	(7,591)
Transfer in/(out)	(14,544)	5,629	–	842	8,073	–
Depreciation charge	–	(16,904)	(7,311)	(18,080)	(27,317)	(69,612)
Closing net book amount	389,069	275,628	113,957	215,300	112,183	1,106,137
At 31 December 2017						
Cost or fair value	**389,069**	**275,628**	**138,603**	**294,405**	**383,065**	**1,480,770**
Accumulated depreciation and impairment	**–**	**–**	**(24,646)**	**(79,105)**	**(270,882)**	**(374,633)**
Net book amount	**389,069**	**275,628**	**113,957**	**215,300**	**112,183**	**1,106,137**
Year ended 31 December 2018						
Opening net book amount	**389,069**	**275,628**	**113,957**	**215,300**	**112,183**	**1,106,137**
Exchange differences	**644**	**–**	**–**	**–**	**–**	**644**
Loss on revaluation, net	**–**	**(7,295)**	**–**	**–**	**–**	**(7,295)**
Additions	**147,005**	**304**	**31,729**	**2,275**	**6,525**	**187,838**
Disposals and write-off	**–**	**(674)**	**(133)**	**(14,001)**	**(8,786)**	**(23,594)**
Transfer in/(out)	**(119,370)**	**4,906**	**–**	**91,446**	**23,018**	**–**
Transfer to investment properties *(Note 15)*	**–**	**(26,770)**	**–**	**–**	**–**	**(26,770)**
Depreciation charge	**–**	**(17,159)**	**(10,802)**	**(46,805)**	**(23,664)**	**(98,430)**
Closing net book amount	**417,348**	**228,940**	**134,751**	**248,215**	**109,276**	**1,138,530**
At 31 December 2018						
Cost or fair value	**417,348**	**228,940**	**168,987**	**337,617**	**395,456**	**1,548,348**
Accumulated depreciation and impairment	**–**	**–**	**(34,236)**	**(89,402)**	**(286,180)**	**(409,818)**
Net book amount	**417,348**	**228,940**	**134,751**	**248,215**	**109,276**	**1,138,530**

14 Property, plant and equipment *(Continued)*

Depreciation expenses of RMB91,339,000 (2017: RMB62,255,000) has been charged in "Cost of sales", RMB1,210,000 (2017: RMB1,244,000) in "Selling and distribution expenses" and RMB5,881,000 (2017: RMB6,113,000) in "Administrative expenses".

During the year, the Group has capitalised borrowing costs amounting to RMB14,147,000 (2017: RMB14,175,000) in construction in progress. Borrowings costs were capitalised at weighted average rate of 2.32% (2017: 2.18%).

As at 31 December 2018, leasehold buildings with carrying amount of RMB52,000,000 (2017: RMB54,000,000) was pledged to secure the Group's borrowings (Note 35(a)).

Fair value hierarchy

As at 31 December 2018, the fair value measurement of medium term leasehold buildings outside Hong Kong is categorised in level 3 of the fair value hierarchy (i.e., fair value measurement using significant unobservable inputs).

During the year, there were no transfers between fair value hierarchy classifications.

Reconciliation of fair value measurement categorised within level 3 of the fair value hierarchy:

	Leasehold buildings located in the Group's theme park and amusement park RMB'000	Leasehold buildings located in the Group's resort hotel, excluding the main building, office building and various ancillary facilities RMB'000	Main buildings, office buildings and various ancillary facilities located in the Group's resort hotel, the PRC RMB'000	Residential buildings temporarily leased to third parties located in Zhuhai, the PRC RMB'000	Total RMB'000
Carrying amount at 1 January 2018	133,400	53,696	61,792	26,740	275,628
Additions	304	–	–	–	304
Depreciation charge	(9,422)	(3,736)	(2,664)	(1,337)`	(17,159)
Disposals and write-off	–	(674)	–	–	(674)
Transfer from construction in progress	4,906	–	–	–	4,906
Gain/(loss) on property revaluation, net, recognised in other comprehensive income	(16,188)	2,453	5,073	1,367	(7,295)
Transfer to investment properties	–	–	–	(26,770)	(26,770)
Carrying amount at 31 December 2018	113,000	51,739	64,201	–	228,940

14 Property, plant and equipment *(Continued)*

Fair value hierarchy *(Continued)*

	Leasehold buildings located in the Group's theme park and amusement park RMB'000	Leasehold buildings located in the Group's resort hotel, excluding the main building, office building and various ancillary facilities RMB'000	Main building, office building and various ancillary facilities located in the Group's resort hotel, the PRC RMB'000	Residential buildings temporarily leased to third parties located in Zhuhai, the PRC RMB'000	Total RMB'000
Carrying amount at 1 January 2017	139,000	55,752	64,116	26,460	285,328
Additions	1,263	–	–	–	1,263
Depreciation charge	(10,529)	(3,725)	(2,650)	–	(16,904)
Disposals and write-off	(42)	–	–	–	(42)
Transfer from construction in progress	1,366	–	–	–	1,366
Gain on property revaluation, net, recognised in other comprehensive income	2,342	1,669	326	280	4,617
Carrying amount at 31 December 2017	133,400	53,696	61,792	26,740	275,628

Valuation processes of the Group

The Group's medium term leasehold buildings outside Hong Kong were valued at 31 December 2018 and 2017 by independent professionally qualified valuers who hold a recognised relevant professional qualification.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between management and valuers annually. As at 31 December 2018 and 2017, the fair values of the properties have been determined by Knight Frank Petty Limited ("Knight Frank").

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

14 Property, plant and equipment *(Continued)*

Fair value hierarchy *(Continued)*

Valuation technique

(1) Fair value of leasehold buildings located in the Group's theme park and amusement park is derived using current replacement cost method. Under this method, fair value is estimated using an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

(2) Fair value of leasehold buildings located in the Group's resort hotel excluding the main building, office building and various ancillary facilities is derived using direct comparison method. Under this method, fair value is estimated with reference to market comparable sales evidence available in the market.

(3) Fair value of main building, office building and various ancillary facilities located in the Group's resort hotel is derived using discounted cash flow method. Under this method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income is then discounted.

(4) Fair value of residential buildings temporary leased to third parties located in Zhuhai, the PRC is derived using discounted cash flow method.

14 Property, plant and equipment *(Continued)*

Fair value hierarchy *(Continued)*

Valuation technique *(Continued)*

Below is a summary of the valuation techniques used and the key inputs to the valuation of leasehold buildings:

2018

	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Leasehold buildings located in the Group's theme park and amusement park	Cost approach (Depreciated replacement cost method)	Construction cost by use	RMB2,000 to RMB5,500 per square meter	The higher the depreciated replacement cost, the higher the fair value
Leasehold buildings located in the Group's resort hotel, excluding the main building, office building and various ancillary facilities	Direct comparison method	Price	RMB10,300 per square meter	The higher the price, the higher the fair value
Main building, office building and various ancillary facilities located in the Group's resort hotel, the PRC	Income approach (Discounted cash flow method)	Estimated rental value	RMB600 per night	The higher the estimated rental value, the higher the fair value
		Discount rate	6.5%	The higher the discount rate, the lower the fair value
		Occupancy rate	60%	The higher the occupancy rate, the higher the fair value

14 Property, plant and equipment *(Continued)*

Fair value hierarchy *(Continued)*

Valuation technique *(Continued)*

2017

	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Leasehold buildings located in the Group's theme park and amusement park	Cost approach (Depreciated replacement cost method)	Construction cost by use	RMB2,000 to RMB5,500 per square meter	The higher the depreciated replacement cost, the higher the fair value
Leasehold buildings located in the Group's resort hotel, excluding the main building, office building and various ancillary facilities	Direct comparison method	Price	RMB10,200 per square meter	The higher the price, the higher the fair value
Main building, office building and various ancillary facilities located in the Group's resort hotel, the PRC	Income approach (Discounted cash flow method)	Estimated rental value	RMB584 per night	The higher the estimated rental value, the higher the fair value
		Discount rate	6.5%	The higher the discount rate, the lower the fair value
		Occupancy rate	64%	The higher the occupancy rate, the higher the fair value
Residential buildings temporarily leased to third parties located in Zhuhai, the PRC	Income approach (Discounted cash flow method)	Unit market rent	RMB21 per square meter per month	The higher the unit market rent, the higher the fair value
		Capitalisation rate	2.5%	The higher the capitalisation rate, the lower the fair value

15 Investment properties

	2018 RMB'000
Non-current assets – at fair value	
Opening balance at 1 January	–
Transfer from property, plant and equipment (Note 14)	26,770
Closing balance at 31 December	26,770

Valuation processes of the Group

The process is as same as those disclosed in Note 14.

Valuation technique

Fair value of a residential building leased to third parties located in Zhuhai the PRC is derived using discounted cash flow method.

Fair value hierarchy

As at 31 December 2018, the fair value of investment properties outside Hong Kong is categorised in level 3 of the fair value hierarchy (i.e. fair value measurement using significant unobservable inputs).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Residential buildings leased to third parties located in Zhuhai, the PRC	Income approach (Discounted cash flow method)	Unit market rent	RMB21 per square meter per month	The higher the unit market rent, the higher the fair value
		Capitalisation rate	2.5%	The higher the capitalisation rate, the lower the fair value

The Group leases out the investment properties under operating leases, for an initial period of 2 to 3 years, with an option to renew on renegotiated terms. None of the leases includes contingent rentals. During the year ended 31 December 2018, the gross rental income from investment properties, previously classified as property, plant and equipment, amounted to approximately RMB311,000.

16 Prepaid land lease payments

	2018 RMB'000	2017 RMB'000
At 1 January	374,040	318,512
Transfer from properties under development	–	70,116
Amortisation charge	(14,765)	(11,882)
Exchange realignment	962	(2,706)
	360,237	374,040

The parcels of leasehold land are situated in the PRC and are held under medium term leases (10 to 50 years).

Amortisation charge of RMB11,711,000 (2017: RMB11,882,000) is included in the "Cost of sales" and RMB3,054,000 (2017: Nil) in "Administrative expenses".

17 Rights to use port facilities

	2018 RMB'000	2017 RMB'000
At 1 January	12,751	13,326
Amortisation charge	(575)	(575)
At 31 December	12,176	12,751

The balance represents the amount of the Group's rights to use certain buildings and structures erected at the Jiuzhou Port in Zhuhai, the PRC, for a term up to 27 March 2040.

Amortisation charge of RMB575,000 (2017: RMB575,000) is included in the "Cost of sales".

18 Properties under development

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Properties under development expected to be completed:		
– Within one operating cycle included under current assets	**3,543,586**	3,256,533
– Beyond one operating cycle included under non-current assets	**2,813,285**	3,353,467
	6,356,871	6,610,000
Properties under development expected to be completed and available-for-sale:		
– Within one year	**865,562**	2,066,011
– Beyond one year	**5,491,309**	4,543,989
	6,356,871	6,610,000
Properties under development comprise:		
– Capitalised interests	**776,600**	878,416
– Land use rights	**3,103,941**	3,828,288
– Construction costs and capitalised expenditures	**2,476,330**	1,903,296
	6,356,871	6,610,000

As at 31 December 2018, certain land use rights and properties under development with a carrying amount of RMB993,793,000 (2017: RMB763,634,000) were pledged to secure the Group's borrowings (Note 35 (a)).

19 Completed properties held-for-sale

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Completed properties held-for-sale comprise:		
– Capitalised interests	**8,258**	46
– Land use rights	**32,048**	113
– Construction costs and capitalised expenditures	**35,765**	924
	76,071	1,083

20 Intangible asset

	RMB'000
At 31 December 2017 and 1 January 2018	
Cost	23,005
Accumulated impairment	(19,140)
Net book amount	3,865
At 31 December 2018	
Cost	23,005
Accumulated impairment	(19,140)
Net book amount	3,865

The balance represents the carrying amount of the membership of a golf club in Zhuhai, the PRC, held by the Group. The membership is perpetual and is freely transferrable. The membership is acquired by the Group to provide golf club facilities for the Group's customers.

The recoverable amount of the golf club membership at 31 December 2018 and 2017 was determined by the Group with reference to the open market basis assessed by Knight Frank.

21 Principal subsidiaries

(a) The following is a list of the principal subsidiaries at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-up registered capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Zhuhai Holiday Resort Hotel Co., Ltd. (Note a)	PRC, Limited liability company	Management of a holiday resort in the PRC	HK$184,880,000	100	–
The New Yuanming Palace Tourist Co., Ltd. of Zhuhai S.E.Z. (Note a)	PRC, Limited liability company	Management of a theme park in the PRC	RMB60,000,000	100	–
珠海市水上娛樂有限公司 (Note a)	PRC, Limited liability company	Management of an amusement park in the PRC	RMB22,500,000	100	–
Zhuhai Jiuzhou Port Passenger Traffic Services Co., Ltd. ("Jiuzhou Port Company") (Note b)	PRC, Limited liability company	Provision of port facilities in the PRC	RMB42,330,000	90	10
Zhuhai High-speed Passenger Ferry Co., Ltd. ("Ferry Company") (Notes b, c)	PRC, Limited liability company	Provision of ferry services in the PRC	RMB65,374,000	49	51
珠海經濟特區海通船務有限公司(Note d)	PRC, Limited liability company	Provision of ferry services in the PRC	RMB15,000,000	49 (Note e)	51
珠海市九洲郵輪有限公司(Note d)	PRC, Limited liability company	Provision of ferry services in the PRC	RMB20,000,000	49 (Note e)	51
珠海九洲能源有限公司 (Note d)	PRC, Limited liability company	Trading and distribution of fuel oil in the PRC	RMB66,000,000	49 (Note e)	51

21 Principal subsidiaries *(Continued)*

(a) The following is a list of the principal subsidiaries at 31 December 2018: *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid-up registered capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
珠海九控房地產有限公司 ("ZJ Development") (Note b)	PRC, Limited liability company	Property development in the PRC	US$24,080,000	60	40
珠海市九控體育管理有限公司 ("Zhuhai Golf") (Note b)	PRC, Limited liability company	Operation of a golf club in the PRC	US$8,800,000	60	40
深圳市九控融資租賃有限公司 (Note a)	PRC, Limited liability company	Factoring business for commercial bills and trade receivables	RMB300,000,000	100	–
珠海九控環境建設工程有限公司(Note d)	PRC, Limited liability company	Construction and maintenance of public facilities	RMB128,000,000	99	1

Notes:

(a) Registered as wholly-foreign-owned enterprises under PRC law.

(b) Registered as sino-foreign equity joint venture under PRC law.

(c) The Group considers that it controls Ferry Company even though it owns less than 50% of the equity interests. Ferry Company is owned as to 49% by the Group, 43% by Zhuhai Jiuzhou Holdings Group Co., Ltd. ("ZJ Holdings") and 8% by an independent third party. According to articles of association and the composition of the board of directors of Ferry Company, the Group obtains more than half of voting power over Ferry Company and therefore obtains control of Ferry Company.

(d) Registered as limited liability companies under PRC law.

(e) These entities are subsidiaries of Ferry Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

21 Principal subsidiaries *(Continued)*

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2018 amounted to RMB1,371,540,000 (2017: RMB1,164,490,000), of which RMB365,421,000 (2017: RMB272,407,000) was for Ferry Company and its subsidiaries ("Ferry Company Group") and RMB961,551,000 (2017: RMB818,747,000) was attributed to ZJ Development and its subsidiaries ("ZJ Development Group"). The non-controlling interests in respect of other entities were not material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for subsidiaries that have non-controlling interests that are material to the Group.

Summarised statement of financial position

	Ferry Company Group		ZJ Development Group	
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	**As at 31 December 2018 RMB'000**	As at 31 December 2017 RMB'000
Current				
Assets	**1,269,361**	451,645	**5,392,359**	4,951,277
Liabilities	**(923,018)**	(177,888)	**(4,048,697)**	(4,705,074)
Total current net assets	**346,343**	273,757	**1,343,662**	246,203
Non-current				
Assets	**421,765**	302,999	**1,911,339**	3,259,609
Liabilities	**(50,816)**	(42,625)	**(939,889)**	(1,458,944)
Total non-current net assets	**370,949**	260,374	**971,450**	1,800,665
Net assets	**717,292**	534,131	**2,315,112**	2,046,868

21 Principal subsidiaries *(Continued)*

(b) Material non-controlling interests *(Continued)*

Summarised statement of profit or loss

	Ferry Company Group Year ended 31 December		ZJ Development Group Year ended 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Revenue	**5,868,586**	2,352,217	**3,097,578**	1,232,025
Profit before tax	**246,680**	241,172	**822,692**	138,092
Income tax expense	**(71,209)**	(66,184)	**(453,261)**	(105,874)
Other comprehensive (loss)/gain	**(5,443)**	7,457	**–**	–
Total comprehensive income for the year	**170,028**	182,445	**369,431**	32,218
Total comprehensive income allocated to non-controlling interests	**86,714**	93,047	**147,772**	12,887
Dividend paid to non-controlling shareholders	**–**	68,985	**–**	87,481

21 Principal subsidiaries *(Continued)*

(b) Material non-controlling interests *(Continued)*

Summarised statement of cash flows

	Ferry Company Group Year ended 31 December		ZJ Development Group Year ended 31 December	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Cash flows generated from operating activities				
Cash generated from operations	**87,541**	203,509	**498,940**	249,160
Income tax paid	**(69,523)**	(71,599)	**(173,916)**	(175,005)
Net cash generated from operating activities	**18,018**	131,910	**325,024**	74,155
Net cash (used in)/generated from investing activities	**(55,844)**	(32,748)	**10,455**	6,326
Net cash used in financing activities	**(91,174)**	(133,792)	**(250,000)**	(200,000)
Net (decrease)/increase in cash and cash equivalents	**(129,000)**	(34,630)	**85,479**	(119,519)
Cash and cash equivalents at beginning of year	**227,944**	262,574	**415,042**	534,561
Cash and cash equivalents at end of year	**98,944**	227,944	**500,521**	415,042

The information above is the amount before inter-company eliminations.

22 Interests in joint ventures

	2018 RMB'000	2017 RMB'000
At 1 January	**10,001**	10,489
Share of profit/(loss)	**469**	(488)
Additions (Note a)	**82,142**	–
At 31 December	**92,612**	10,001

Particulars of the Group's joint ventures as at 31 December 2018 are as follows:

Name	Place of business/ country of establishment	% of ownership interest	Principal activities	Measurement method
珠海市珠澳輪渡有限公司	PRC	49	Provision of ferry services	Equity
台州市榮遠客運有限公司 (Note a)	PRC	47.5	Provision of ferry services	Equity

Note a: The balance represents the Group's capital contribution in 台州市榮遠客運有限公司 during the year ended 31 December 2018.

珠海市珠澳輪渡有限公司 and 台州市榮遠客運有限公司 are private companies and not significant to the Group. There is no quoted market price available for their shares.

The Group has no commitment and contingent liability relating to its interest in the joint ventures.

23 Interests in associates

	2018 RMB'000	2017 RMB'000
At 1 January	**4,953**	4,739
Share of profit/(loss)	**4,464**	(3,636)
Additions (Note a)	**25,521**	3,850
At 31 December	**34,938**	4,953

Particulars of the associates as at 31 December 2018 are as follows:

Name	Place of business/ country of incorporation/ establishment	% of ownership interest	Principal activities	Measurement method
Allways Internet Limited	Hong Kong	50	Investment holding	Equity
深圳市機場高速客運有限公司	PRC	40	Provision of ticketing services	Equity
珠海市九洲快運有限公司	PRC	25	Transportation	Equity
三亞藍色幹線旅遊發展有限公司	PRC	35	Transportation	Equity
珠海粵拱信海運輸有限責任公司(Note a)	PRC	21	Transportation	Equity

Note a: The Group held 21% equity interest in this entity with an additional capital contribution of RMB25,521,000 during the year ended 31 December 2018.

The Group has no commitment and contingent liability relating to its interests in the associates.

All the associates are private companies and not significant to the Group. There are no quoted market prices available for their shares.

24 Financial assets at fair value through other comprehensive income/Available-for-sale investments

Available-for-sale investments include the following:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Hong Kong listed equity investments, at fair value and denominated in HK$	**–**	7,439

Financial assets at fair value through other comprehensive income include the following:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Hong Kong listed equity investments, at fair value and denominated in HK$	**8,412**	–

Movement in the available-for-sale investments is as follows:

	2017 RMB'000
At 1 January	9,661
Net loss recognised as other comprehensive loss	(1,968)
Exchange realignment	(254)
At 31 December	7,439

Movement in the financial assets at fair value through other comprehensive income is as follows:

	2018 RMB'000
At 1 January	**–**
Reclassification from available-for-sale investments due to adoption of HKFRS 9 (Note 2.2(a)(i))	**7,439**
Net gain recognised as other comprehensive income	**865**
Exchange realignment	**108**
At 31 December	**8,412**

25 Prepayments, deposits and other receivables

(a) Prepayments and deposits included in non-current assets:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Rental prepayments	**1,723**	1,995
Other prepayments and deposits	**24,450**	28,700
	26,173	30,695

(b) Prepayments, deposits and other receivables included in current assets:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Prepayments	**199,205**	120,778
Prepaid value-added tax	**124,451**	149,538
Deposits and other receivables	**21,523**	36,896
Contract costs	**1,187**	–
	346,366	307,212

(i) The carrying amounts of the Group's deposits and other receivables as at 31 December 2018 and 2017 approximate their fair values.

(ii) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(iii) The Group's prepayments, deposits and other receivables and contract costs are mainly denominated in RMB.

26 Securities measured at fair value through profit or loss

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Listed equity securities in Hong Kong – held-for-trading Investments in Hong Kong, at fair value	529	644

Changes in fair values of securities measured at fair value through profit or loss are recorded in "Other income and gains, net" in the consolidated statement of profit or loss.

The fair value of all equity securities is based on their current bid prices in an active market.

27 Inventories

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Food, beverages and souvenirs held for resale	1,270	1,271
Spare parts and consumables	36,903	14,306
	38,173	15,577

The cost of inventories recognised as expense and included in "Cost of sales" amounted to RMB5,201,576,000 (2017: RMB1,776,882,000).

28 Trade receivables

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Trade receivables	**935,124**	123,567
Less: Allowance for impairment of trade receivables (see Note 3.1 (b))	**(11,978)**	(9,879)
	923,146	113,688

A defined credit policy is maintained within the Group. The general credit terms range from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise its credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest-bearing.

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

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Current to 3 months	**927,349**	113,537
4 to 6 months	**18**	90
7 to 12 months	**253**	2,815
Over 12 months	**7,504**	7,125
	935,124	123,567

28 Trade receivables *(Continued)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 January 2018 by RMB1,539,000 for trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

The carrying amount of trade receivables approximate their fair value.

The Group's trade receivables were denominated in the following currencies:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
RMB	**924,900**	106,757
HK$	**10,224**	16,810
	935,124	123,567

29 Factoring receivables

Factoring receivables granted to customers are measured at amortised cost and are generally for a period of 30 to 180 days with interest rates range from 3.03% – 8.00% per annum (2017: Nil). The balances are denominated in RMB and do not expose to foreign currency risk. As at 31 December 2018, none of the balance was overdue.

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Factoring receivables	**912,529**	–
Less: Allowance for impairment of factoring receivables (Note 3.1(b))	**(1,825)**	–
	910,704	–

The carrying amount of factoring receivables approximate their fair value.

30 Cash and bank balances

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Cash and cash equivalents	**982,527**	1,776,963
Time deposits with maturities over 3 months	**–**	136,322
Restricted bank balances	**595,518**	1,098,976
	1,578,045	3,012,261
Tourism deposits (Note (a))	**700**	914
Deposits to secure construction fee payables (Note(b))	**63**	33,975
Guarantee deposits for construction of pre-sold properties (Note (c))	**418,189**	951,625
Pledged deposits for borrowings (Note (d))	**114,807**	103,544
Deposits for issuance of bill payables	**61,759**	8,918
Restricted bank balances	**595,518**	1,098,976
Less: Non-current portion	**(108,762)**	(100,000)
Current portion	**486,756**	998,976

30 Cash and bank balances *(Continued)*

Notes:

(a) Pursuant to the requirement from Guangdong Provincial Supervisory Bureau of Tourism Quality (廣東省旅遊質量監督管理所), the Group has to maintain certain cash balance in a designated bank account for securing the quality of the tourist business operated by the Group. The bank balance can only be released upon the approval from Guangdong Provincial Supervisory Bureau of Tourism Quality and restricted to be used by the Group.

(b) According to the relevant construction contracts, the Group is required to place deposits at designated bank accounts with certain amount of the construction payables as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(c) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, a property development company of the Group is required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(d) As at 31 December 2018, RMB114,807,000 (2017: RMB103,544,000) are pledged deposits for certain bank borrowings.

As at 31 December 2018, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,347,024,000 (31 December 2017: RMB2,694,705,000). RMB is not freely convertible into other currencies. However, under the PRC'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 and bank balances were denominated in the following currencies:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
RMB	**1,347,024**	2,694,705
HK$	**230,883**	317,421
Others	**138**	135
	1,578,045	3,012,261

The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amount of cash and bank balances approximate their fair value.

31 Financial instruments by category

	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Assets at fair value through other comprehensive income RMB'000	Total RMB'000
As at 31 December 2018				
Assets as per consolidated statement of financial position				
Financial assets at fair value through other comprehensive income	–	–	8,412	8,412
Securities measured at fair value through profit or loss	529	–	–	529
Trade receivables	–	923,146	–	923,146
Financial assets included in other receivables	–	21,523	–	21,523
Factoring receivables	–	910,704	–	910,704
Due from related companies	–	14,930	–	14,930
Restricted bank balances	–	595,518	–	595,518
Cash and cash equivalents	–	982,527	–	982,527
	529	3,448,348	8,412	3,457,289

	Assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
As at 31 December 2017				
Assets as per consolidated statement of financial position				
Available-for-sale investments	–	–	7,439	7,439
Securities measured at fair value through profit or loss	644	–	–	644
Trade receivables	–	113,688	–	113,688
Financial assets included in other receivables	–	36,896	–	36,896
Due from related companies	–	10,731	–	10,731
Restricted bank balances	–	1,098,976	–	1,098,976
Time deposits	–	136,322	–	136,322
Cash and cash equivalents	–	1,776,963	–	1,776,963
	644	3,173,576	7,439	3,181,659

31 Financial instruments by category *(Continued)*

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
Trade and bill payables	**997,859**	76,167
Financial liabilities included in deferred income, accrued liabilities and other payables	**151,492**	139,546
Construction payables	**870,057**	647,402
Interest-bearing bank borrowings	**2,848,203**	2,768,282
Due to a major shareholder	**66**	2,646
Due to related companies	**13,266**	9,602
	4,880,943	3,643,645

32 Trade and bill payables

An ageing analysis of the trade and bill payables as at 31 December 2018, based on the invoice date, is as follows:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Current to 3 months	**822,494**	41,804
4 to 6 months	**277**	692
7 to 12 months	**747**	496
Over 12 months	**5,393**	3,467
	828,911	46,459
Bill payables	**168,948**	29,708
Trade and bill payables	**997,859**	76,167

(i) The trade payables are non-interest-bearing and are normally settled on 60-day terms and approximate their fair values.

(ii) The Group's trade and bill payables were denominated in RMB.

(iii) As at 31 December 2018, bill payables of RMB168,948,000 (2017: RMB29,708,000) were secured by restricted bank balances of RMB61,759,000 (2017: RMB8,918,000) and corporate guarantee provided by a subsidiary of the Company.

33 Deferred income, accrued liabilities and other payables and contract liabilities

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Accrued liabilities and other payables (Note a)	**255,919**	339,390
Deferred income (Note a)	**–**	195,352
Contract liabilities (Note b and Note 2.2 (b))	**2,580,126**	–
	2,836,045	534,742
Less: Current portion	**(2,638,423)**	(329,864)
Non-current portion	**197,622**	204,878

Except for a loan from a non-controlling shareholder of a subsidiary of RMB20,080,000 (2017: RMB17,140,000) which bears interests at 4.75% (2017: 4.75%) per annum and is repayable in 2019, other payables are non-interest bearing and have average payment terms of one to three months.

Note a: The accrued liabilities and other payables in 2017 mainly included accrued staff costs, advances from other customers, interest payables and accrued vessel maintenance fund.

Deferred income in 2017 represented golf club membership admission fees, of which the respective services have not yet been rendered.

Note b: Contract liabilities include properties pre-sale proceeds received from customer, deferred income from golf club membership and advances from other customers.

Other payables were denominated in RMB.

34 Construction payables

Construction payables, which represent amounts due to contractors for construction of properties under development, and property, plant and equipment, are unsecured, interest-free and repayable in accordance with the terms of the respective construction contracts. Construction payables were denominated in RMB.

35 Interest-bearing bank borrowings

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Non-current		
Bank loans and syndicated loan – secured (Note (a))	**2,146,549**	2,768,282
Current		
Bank loans and syndicated loan – secured (Note (a))	**621,654**	–
Bank loan – unsecured (Note (b))	**80,000**	–
	701,654	–
	2,848,203	2,768,282

At 31 December 2018, the Group's borrowings were repayable as follows:

	Bank loans and syndicated loan	
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Within 1 year	**701,654**	–
Between 1 and 2 years	**860,480**	856,000
Between 2 and 5 years	**1,286,069**	1,912,282
	2,848,203	2,768,282

The exposure of the Group's bank borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
6 months or less	**1,920,996**	1,724,331

35 Interest-bearing bank borrowings *(Continued)*

The carrying amounts of the Group's borrowings are denominated in the following currency:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
HK$	**1,920,996**	1,724,331
RMB	**927,207**	1,043,951
	2,848,203	2,768,282

Notes:

(a) As at 31 December 2018, the Group's bank loans of RMB100,000,000 (2017: RMB100,000,000) were secured by its bank deposits.

As at 31 December 2018, the repayment obligation of the Company amounting to RMB1,746,874,000 (2017: 1,724,331,000) under the Syndicated Loan Facility was secured by guarantees executed by wholly-owned subsidiaries of the Company, namely Jiuzhou Tourist Development Company Limited ("JTD") and Jiuzhou Tourism Property Company Limited ("JTP"), and a charge over a bank account of the Company in favour of the facility agent on behalf of the lenders.

As at 31 December 2018, ZJ Holdings and the Company have executed guarantees in respect of a loan of RMB650,000,000 ("Loan") (2017: RMB900,000,000) borrowed by ZJ Development up to RMB780,000,000 (2017: RMB780,000,000) and RMB855,000,000 (2017: RMB855,000,000) respectively. As at 31 December 2018, the repayment obligation of the Group under the Loan was also secured by certain land use rights and properties under development of the Group of RMB993,793,000 (2017: RMB763,634,000) (Note 18).

As at 31 December 2018, the repayment obligation of the Company under a term loan facility of RMB174,122,000 (2017: Nil) was secured by guarantees executed by JTD and JTP.

As at 31 December 2018, bank borrowing of RMB11,174,000 (2017: Nil) was secured by guarantees executed by the Ferry Company.

As at 31 December 2018, the Company has executed guarantees in respect of a bank loan of RMB86,033,000 (2017: RMB43,951,000) borrowed by Zhuhai Jiuzhou Property Development Limited, a wholly-owned subsidiary of the Company. As at 31 December 2018, the repayment obligation was also secured by leasehold buildings with carrying amount of approximately RMB52,000,000 (2017: RMB54,000,000) (Note 14).

(b) As at 31 December 2018, bank borrowings of RMB80,000,000 (2017: Nil) were unsecured.

(c) Borrowings bear average coupons of 0.5% – 5.94% per annum (2017: 0.5% – 5.94% per annum). The capitalisation rate of borrowings for assets under construction was 3.71% (2017: 3.50%) for the year ended 31 December 2018.

(d) The fair value of borrowings approximates their carrying amount.

36 Warrants

Pursuant to a subscription agreement entered into with LIM Asia Special Situations Master Fund Limited (the "Subscriber") on 25 November 2013, the Company issued 70,000,000 ordinary shares at HK$1.52 each and 30,000,000 unlisted warrants (the "Warrants") at the warrant issue price of HK$0.023 per warrant to the Subscriber in 2013.

The Warrants gave the holder of the Warrants the rights to subscribe for 30,000,000 new shares of the Company's ordinary shares. The initial subscription price of the Warrants was HK$1.80 per share, subject to adjustments, at any time during the period from 25 November 2013 to 24 November 2018.

The warrant reserve amounting to HK$690,000 (approximately RMB559,000) recognised in 2013 was transferred to retained profits upon the expiry of the Warrants.

37 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(91,564)**	(102,284)
Deferred tax liabilities:		
– Deferred tax liability to be settled after more than 12 months	**593,387**	632,666
– Deferred tax liability to be settled within 12 months	**63,247**	14,446
	656,634	647,112
Deferred tax liabilities (net)	**565,070**	544,828

37 Deferred income tax *(Continued)*

The gross movements on the deferred income tax account are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**544,828**	542,558
Impact of adoption of HKFRS 9	**(385)**	–
At 1 January (restated)	**544,443**	542,558
Charged to the statement of profit or loss	**22,480**	2,846
Tax (credit)/charge relating to components of other comprehensive income	**(1,824)**	1,154
Exchange realignment	**(29)**	(1,730)
At 31 December	**565,070**	544,828

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities

	Leasehold buildings and investment properties RMB'000	**Fair value adjustments arising from acquisition of subsidiaries and subsequent changes** RMB'000	**Withholding taxes on undistributed profit of subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2017	41,773	597,862	12,215	651,850
(Credited)/charged to the statement of profit or loss	–	(4,336)	2,058	(2,278)
Charged to other comprehensive income	1,154	–	–	1,154
Exchange realignment	–	–	(1,730)	(1,730)
At 31 December 2017	42,927	593,526	12,543	648,996
Charged/(credited) to the statement of profit or loss	(12,374)	(27,018)	48,943	9,551
Credited to other comprehensive income	(1,824)	–	–	(1,824)
Exchange realignment	–	298	(327)	(29)
At 31 December 2018	28,729	566,806	61,159	656,694

37 Deferred income tax *(Continued)*

Deferred tax assets

	Timing difference in sales recognition RMB'000	Depreciation of vessels RMB'000	Unused tax losses, bad debt provision and others RMB'000	Total RMB'000
At 1 January 2017	(90,504)	(11,274)	(7,514)	(109,292)
Charged/(credited) to the statement of profit or loss	4,672	1,764	(1,312)	5,124
At 31 December 2017	(85,832)	(9,510)	(8,826)	(104,168)
Impact of adoption of HKFRS 9	–	–	(385)	(385)
At 1 January 2018 (restated)	(85,832)	(9,510)	(9,211)	(104,553)
Charged/(credited) to the statement of profit or loss	12,183	1,187	(441)	12,929
At 31 December 2018	(73,649)	(8,323)	(9,652)	(91,624)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB29,547,000 (2017: RMB23,397,000) in respect of losses amounting to RMB141,260,000 (2017: RMB116,404,000) that can be carried forward against future taxable income. Losses arising in Hong Kong amounting to RMB67,977,000 (2017: RMB67,108,000) are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Losses arising in the PRC amounting to RMB56,816,000 (2017: RMB49,296,000) will expire between 2019 and 2023.

38 Defined benefit obligations

The Group operates and maintains defined benefit pension plans. According to the plan, the Group has continuing practice of pension payments to their retired employees till the death of the retired employees with reference to the position of the retired employees at the time when they retire. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including discount rate, employee turnover rate and mortality rate and etc.

The table below outlines where the Group's post-employment pension amounts and activity are included in the financial statements.

38 Defined benefit obligations *(Continued)*

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Consolidated statement of financial position obligations for:		
– Defined pension benefits	**122,828**	95,821

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Statement of profit or loss charge included in administrative expenses:		
– Defined pension benefits	**7,232**	7,331

The movements in the defined benefit liability over the year are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening defined benefit obligations	**95,821**	103,522
Current service	**3,280**	3,873
Interest expense	**3,952**	3,458
	7,232	7,331
Remeasurements:		
– Gain/(loss) from change in financial assumptions	**10,236**	(10,715)
– Loss from change in demographic assumptions	**–**	8,276
– Experience loss/(gain)	**13,857**	(8,892)
	24,093	(11,331)
Benefit payments	**(4,318)**	(3,701)
Closing defined benefit obligations	**122,828**	95,821

38 Defined benefit obligations *(Continued)*

The significant actuarial assumptions are as follows:

Discount rate

	As at 31 December 2018	As at 31 December 2017
Discount rate	3.6%	4.2%

Employee turnover rate

Active employees are assumed to leave the Company before retirement in accordance with an age-related table as follows:

Age	**Employee turnover rate (p.a.)** 31 December 2018	31 December 2017
Less than 25	25%	25%
25 – 34	20%	20%
35 – 44	10%	10%
45 – 54	5%	5%
Age 55 and over	0%	0%

Mortality rate

Mortality rate is based on China Life Insurance Mortality Table (2010-2013).

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

31 December 2018

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption RMB'000	Decrease in assumption RMB'000
Discount rate	1%	(16,337)	20,567
Mortality rate	1% p.a. Improvement	5,502	(3,845)
Turnover rate	25%	(2,963)	2,715
		(13,798)	19,437

38 Defined benefit obligations *(Continued)*

Mortality rate *(Continued)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position.

The Group provides a monthly allowance to its employees upon attainment of certain retirement ages based on their gender, rank and by which entity they are employed. The expected contributions to post-employment benefits plans for the year ending 31 December 2019 are RMB4,288,000. The weighted average duration of the defined benefit obligation is 15 years (2017: 15 years).

39 Share capital

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.10 each	**376,170**	376,170
Issued and fully paid:		
1,427,797,174 (2017: 1,427,797,174) ordinary shares of HK$0.10 each	**142,874**	142,874

40 Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity.

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired, together with the surplus arising on the acquisition of the site of the Group's theme park, pursuant to the Group reorganisation on 30 April 1998, and the nominal value of the Company's shares issued pursuant to the Group reorganisation.

In accordance with the relevant PRC regulations, the group companies established in the PRC are required to transfer a certain percentage of their profits after tax to the statutory reserve funds. Subject to certain restrictions set out in the relevant PRC regulations and the articles of association of the subsidiaries, the statutory reserve funds may be used to offset against losses and/or may be capitalised as paid-up capital.

41 Share option scheme

Pursuant to an ordinary resolution passed by the annual general meeting of the Company held on 28 May 2012, a share option scheme ("Share Option Scheme") was adopted. The principal terms of the Share Option Scheme are set out in the circular of the Company dated 26 April 2012.

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest ("Invested Entity").

The participants of the Share Option Scheme include: (a) any eligible employee; (b) any non-executive director of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon the payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and shall not be more than 10 years from the date of offer of the share options, subject to the provisions for early termination as set out in the scheme. There is no minimum period for which an option must be held before the exercise of the subscription right attaching thereto, except as otherwise imposed by the board of directors of the Company.

On 13 July 2015, the Company had granted an aggregate of 79,600,000 share options ("Share Options") to eligible grantees (the "Grantees"), including certain directors, senior management and connected persons of the Group under the Share Option Scheme.

All these share options were cancelled without consideration upon the consent to and acceptance of the cancellation by the relevant grantees and the entitled persons with effect from 21 July 2016. The share option reserve recognised in 2015 amounting to RMB3,035,000 was then transferred to retained profits upon the cancellation.

The Company had no share options outstanding as at 31 December 2018.

42 Notes to the consolidated statement of cash flows

(a) Reconciliation of operating profit to cash generated from operations:

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**1,003,559**	368,580
Adjustments for:		
Share of (profits)/loss of joint ventures	**(469)**	488
Share of (profits)/loss of associates	**(4,464)**	3,636
Interest income	**(24,979)**	(36,165)
Finance expenses	**9,346**	7,581
Depreciation	**98,430**	69,612
Amortisation of prepaid land lease payments	**14,765**	11,882
Amortisation of rights to use port facilities	**575**	575
Losses/(gains) on disposal and write-off of property, plant and equipment	**117**	(12,705)
Capitalised interest included in cost of properties sold	**181,923**	77,481
Net fair value losses on securities measured at fair value through profit or loss	**121**	85
	1,278,924	491,050
Change in working capital:		
Properties under development and completed properties held-for-sale	**84,537**	(241,268)
Inventories	**(22,596)**	4,617
Trade receivables	**(810,612)**	(9,824)
Factoring receivables	**(910,704)**	–
Prepayments, deposits and other receivables	**(33,187)**	(100,203)
Trade and bill payables	**921,692**	37,708
Deferred income, accrued liabilities and other payables	**(282,249)**	55,709
Construction payables	**206,369**	168,577
Defined benefit obligations	**2,914**	3,630
Restricted bank balances	**528,777**	(146,647)
(Decrease)/increase in an amount due to a major shareholder	**(2,580)**	282
Balances with related companies	**(781)**	(8,666)
Properties pre-sale proceeds received from customers	**(3,880,694)**	551,266
Contract liabilities	**2,580,126**	–
Cash (used in)/generated from operations	**(340,064)**	806,231

42 Notes to the consolidated statement of cash flows *(Continued)*

(b) Liabilities from financing activities:

	Loan from a major shareholder	Amount due to related companies	Interest-bearing bank borrowings due within 1 year	Interest-bearing bank borrowings due after 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2017	600,000	14,298	1,474	2,373,402	2,989,174
Cash flows – financing activities	(600,000)	(786)	(1,474)	432,321	(169,939)
Cash flows – operating activities	–	(3,910)	–	–	(3,910)
Foreign exchange adjustment	–	–	–	(37,441)	(37,441)
At 1st January 2018	**–**	**9,602**	**–**	**2,768,282**	**2,777,884**
Cash flows – financing activities	**–**	**(802)**	**701,654**	**(647,128)**	**53,724**
Cash flows – operating activities	**–**	**4,466**	**–**	**–**	**4,466**
Foreign exchange adjustment	**–**	**–**	**–**	**25,395**	**25,395**
At 31st December 2018	**–**	**13,266**	**701,654**	**2,146,549**	**2,861,469**

43 Financial guarantees

The Group had the following contingent liabilities in respect of financial guarantees on mortgage facilities as at the years below:

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties	**3,013,078**	2,632,585

The Group has arranged bank financing for certain purchasers of the Group's properties and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the real estate ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalties owned by the defaulting purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The Group's guarantees period starts from the date of grant of mortgage. The directors consider that the likelihood of default of payments by the purchasers is minimal and their obligations are well covered by the value of the properties and therefore the fair value of financial guarantees is immaterial.

44 Commitments

(a) Capital commitments

The Group had the following contracted, but not provided for, commitments at the end of the reporting period:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Property, plant and equipment	**1,032,412**	434,991
Properties under development	**1,602,991**	2,077,516
	2,635,403	2,512,507

44 Commitments *(Continued)*

(a) Capital commitments *(Continued)*

The Group entered into an agreement with an independent third party to pay an annual management fee of RMB24,000,000 for a period of 90 months for management of the property development project of the Group. As at 31 December 2018, total management fee commitment falling due as follows:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Within one year	**24,000**	24,000
In the second to fifth years, inclusive	**36,000**	60,000
	60,000	84,000

(b) Operating lease commitments

(i) As lessor

The Group leases certain of its leasehold buildings and sub-leases certain of its leased premises under operating lease arrangements, with leases negotiated for original terms ranging from 1 to 18 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Within one year	**20,778**	17,568
In the second to fifth years, inclusive	**66,173**	44,237
After five years	**56,310**	49,129
	143,261	110,934

44 Commitments *(Continued)*

(b) Operating lease commitments *(Continued)*

(ii) As lessee

The Group leases certain of its office premises, the port properties and facilities under operating lease arrangements. Leases are negotiated for original terms ranging from 1 to 40 years (2017: 1 to 40 years).

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

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Within one year	**8,257**	8,008
In the second to fifth years inclusive	**9,286**	6,241
After five years	**12,954**	8,884
	30,497	23,133

45 Related party transactions

The following is a summary of significant related party transactions which, in the opinion of the directors, are entered into in the ordinary course of business between the Company and its related parties, and the balances arising from related party transactions in addition to the related party information shown elsewhere in these financial statements.

The Company's major shareholder is ZJ Holdings, which is a state-owned enterprise established in the PRC. As at 31 December 2018, ZJ Holdings' equity interest in the Company was 41.70% (2017: 41.10%). The transactions with related parties were conducted in the ordinary and usual course of business in accordance with terms agreed between the Group and its related parties.

45 Related party transactions *(Continued)*

(a) Significant related party transactions

Name	Relationship with the Company	Nature	Year ended 31 December 2018 RMB'000	2017 RMB'000
Zhuhai Jiuzhou Passenger Port and Development Co., Ltd. ("Jiuzhou Passenger Development Company")	A subsidiary of a major shareholder	Expenses for port service	**12,499**	2,204
ZJ Holdings	A major shareholder	Rental expenses and management fees	**5,091**	5,298
ZJ Holdings	A major shareholder	Interest expenses	**–**	11,664
Zhuhai Jiuzhou Travel Transport Co., Ltd. ("Jiuzhou Travel Transport")	An associate of a major shareholder	Sales of diesel and petrol	**4,541**	1,453
Zhuhai Wanshan Port Co., Ltd. ("Wanshan Port Company")	A joint venture of a major shareholder	Commission expenses	**10,734**	10,651
Zhuhai Jiuzhou Navigation Culture Co., Ltd	A subsidiary of a major shareholder	Sponsorship expenses	**3,000**	3,720
Zhuhai Jiuzhou Shipping Co., Ltd	A subsidiary of a major shareholder	Rental expenses	**3,087**	–
Zhuhai Jiuzhou Property Management Co., Ltd	A subsidiary of a major shareholder	Cleaning expenses	**2,201**	–
三亞藍色幹線旅遊發展有限公司	An associate	Rental income	**7,906**	8,785

(b) Other transactions with related parties

In 1994, Jiuzhou Port Company, a subsidiary of the Group, was granted by ZJ Holdings, the rights to use the port facilities at the Jiuzhou Port for a period of 20 years at a lump sum payment of approximately RMB33,000,000. Under a supplemental lease agreement dated 1 March 2000, the terms of the lease were renegotiated, and both parties agreed to extend the lease to Jiuzhou Port Company for the use of the port facilities, which include certain buildings and structures erected at the Jiuzhou Port, to 40 years from that date up to 27 March 2040 at no additional cost.

During the year ended 31 December 2018, the amortisation of "Rights to use port facilities" of RMB575,000 (2017: RMB575,000) was charged to "Cost of sales".

45 Related party transactions *(Continued)*

(c) Other transactions with key management

Mr. Jin Tao, an executive director of the Company and his close family member, purchased certain residential properties in Zhuhai, the PRC, from ZJ Development, at a total consideration of RMB3,707,000 during the year ended 31 December 2017. No such transaction incurred during the year ended 31 December 2018.

(d) Key management compensation

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,359**	2,793
Pension costs – defined contribution plans	**178**	241
	2,537	3,034

45 Related party transactions *(Continued)*

(e) Year-end balances

In addition to those disclosed elsewhere, particulars of the amounts due from/(to) related companies and a shareholder are as follows:

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Amounts due from related companies:		
Amount due from associates:		
深圳市機場高速客運有限公司	**2,556**	3,035
珠海市九洲快運有限公司	**40**	40
三亞藍色幹線旅遊發展有限公司	**7,431**	2,764
	10,027	5,839
Subsidiaries of a major shareholder:		
珠海九控鄉村旅遊發展有限公司	**1**	93
珠海九洲物業管理有限公司	**–**	80
珠海國際賽車場有限公司	**3**	15
ZJ Holdings Investment	**423**	416
Longway Services Group Limited	**–**	72
Others	**23**	–
	450	676
An associate of a major shareholder:		
Jiuzhou Travel Transport	**–**	346
A joint venture of a major shareholder:		
Wanshan Port Company	**4,453**	3,870
	4,453	4,216
Total	**14,930**	10,731

45 Related party transactions *(Continued)*

(e) Year-end balances *(Continued)*

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Amounts due to related companies:		
Amounts due to an associate:		
珠海旅遊天地網絡有限公司	**(35)**	(35)
Amount due to a joint venture:		
珠海市珠澳輪渡有限公司	**(119)**	(113)
Subsidiaries of a major shareholder:		
Zhuhai Holding Resort Co., Ltd.	**(6,886)**	(6,888)
珠海九洲綠道旅遊有限公司	**(478)**	(496)
日昇金舫旅遊有限公司	**(1,485)**	(1,476)
珠海九洲船務有限公司	**(1,966)**	–
珠海九洲物業管理有限公司	**(9)**	–
Jiuzhou Passenger Development Company	**(1,505)**	(155)
Others	**(601)**	(439)
	(12,930)	(9,454)
An associate of a major shareholder:		
Jiuzhou Travel Transport	**(182)**	–
Total	**(13,266)**	(9,602)
Amounts due to a major shareholder:		
ZJ Holdings	**(66)**	(2,646)

As at 31 December 2017 and 2018, the balances with related companies and a major shareholder were unsecured, interest-free, repayable on demand and approximate to their fair values.

46 Events occurring after the date of statement of financial position

On 28 February 2019, the Company entered into a revolving loan facility agreement with a bank for a 3 year revolving loan facilities of up to HK$250,000,000 (approximately RMB219,000,000).

47 Statement of financial position and reserves movement of the Company

(a) Statement of financial position of the Company

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	37	72
Interests in subsidiaries	3,167,101	2,891,861
Available-for-sale investments	–	7,439
Financial asset at fair value through other comprehensive income	8,412	–
Restricted bank balances	108,762	100,000
Total non-current assets	3,284,312	2,999,372
CURRENT ASSETS		
Securities measured at fair value through profit or loss	529	644
Deposits and other receivables	701	1,426
Restricted bank balances	6,045	3,544
Cash and bank balances	212,106	375,782
Total current assets	219,381	381,396
Total assets	3,503,693	3,380,768
CURRENT LIABILITIES		
Accrued liabilities and other payables	8,525	4,102
Interest-bearing bank borrowings	350,480	–
Total current liabilities	359,005	4,102
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	1,570,516	1,724,331
Total liabilities	1,929,521	1,728,433
EQUITY		
Share capital	142,874	142,874
Reserves (Note (b))	1,431,298	1,509,461
Total equity	1,574,172	1,652,335
Total equity and liabilities	3,503,693	3,380,768

The statement of financial position was approved by the Board of Directors on 26 March 2019 and was signed on its behalf.

Huang Xin	**Jin Tao**
Director	*Director*

47 Statement of financial position and reserves movement of the Company

(Continued)

(b) Reserves movement of the Company

	Contributed surplus RMB'000	Share premium RMB'000	Warrant reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Financial asset at fair value through other comprehensive income revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
For the year ended 31 December 2018								
Balance as at 31 December 2017	**672,431**	**851,806**	**559**	**796**	**–**	**(200,393)**	**184,262**	**1,509,461**
Adjustment on adoption of HKFRS9 (Note 2.2)	**–**	**–**	**–**	**(796)**	**796**	**–**	**–**	**–**
Restated balance at 1 January 2018	**672,431**	**851,806**	**559**	**–**	**796**	**(200,393)**	**184,262**	**1,509,461**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(74,447)**	**(74,447)**
Fair value gain on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**865**	**–**	**–**	**865**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**20,120**	**–**	**20,120**
2017 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(24,701)**	**(24,701)**
Transfer upon expiry of warrants	**–**	**–**	**(559)**	**–**	**–**	**–**	**559**	**–**
At 31 December 2018	**672,431**	**851,806**	**–**	**–**	**1,661**	**(180,273)**	**85,673**	**1,431,298**
For the year ended 31 December 2017								
At 1 January 2017	672,431	851,806	559	2,764	–	(144,023)	273,628	1,657,165
Loss for the year	–	–	–	–	–	–	(25,507)	(25,507)
Fair value loss on available-for-sale investments	–	–	–	(1,968)	–	–	–	(1,968)
Exchange differences on translation of foreign operations	–	–	–	–	–	(56,370)	–	(56,370)
2016 final dividend paid	–	–	–	–	–	–	(25,544)	(25,544)
2016 special dividend paid	–	–	–	–	–	–	(38,315)	(38,315)
At 31 December 2017	672,431	851,806	559	796	–	(200,393)	184,262	1,509,461

Properties under development

Location	Use	Site area (sq.m.)	Approximate gross floor area (sq.m.)	Stage	Attributable interest of the Group
South of Jintang East Road, East of Jinfeng Road, Tangjiawan, Hi-tech Development Zone, Zhuhai City, Guangdong Province, the PRC	Commercial/ residential	788,400	718,316	Construction commenced and partially completed	60%

FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

Results

	Year ended 31 December				
	2018 **RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
REVENUE	**9,248,350**	3,835,638	4,220,321	2,419,517	1,367,605
PROFIT BEFORE TAX	**1,003,559**	368,580	458,725	372,435	216,170
Income tax expense	**(606,715)**	(210,632)	(236,673)	(134,614)	(88,573)
PROFIT FOR THE YEAR	**396,844**	157,948	222,052	237,821	127,597
Profit attributable to:					
Owners of the Company	**177,028**	61,479	72,584	98,374	46,657
Non-controlling interests	**219,816**	96,469	149,468	139,447	80,940
	396,844	157,948	222,052	237,821	127,597

Assets, liabilities and non-controlling interests

	31 December				
	2018 **RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**12,319,806**	11,933,802	11,341,323	10,404,626	7,473,598
Total liabilities	**(9,001,471)**	(8,922,673)	(8,295,794)	(7,315,187)	(4,545,970)
Non-controlling interests	**(1,371,540)**	(1,164,490)	(1,213,043)	(1,214,306)	(1,137,231)
	1,946,795	1,846,639	1,832,486	1,875,133	1,790,397

珠海控股
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