WING TAI PROPERTIES LIMITED

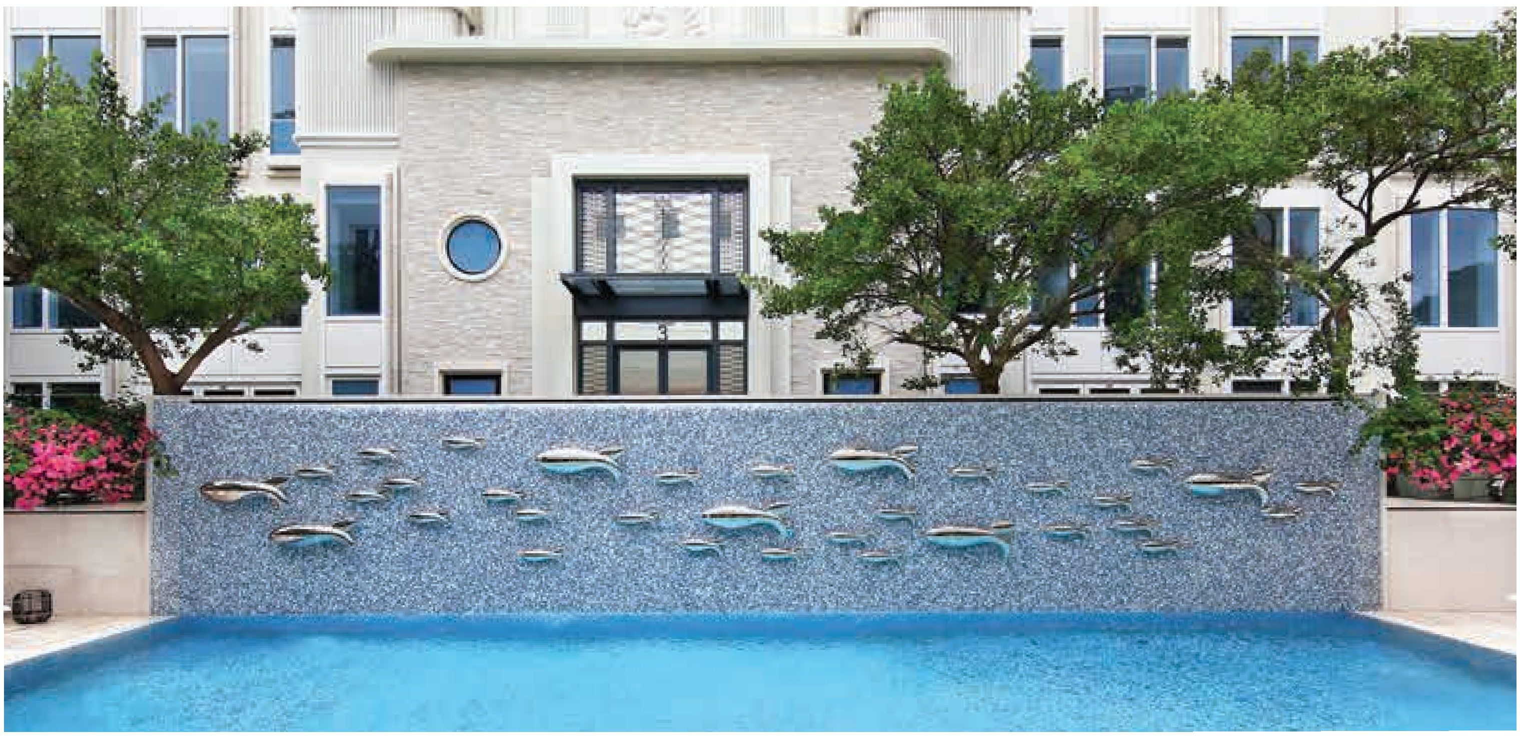
永泰地產有限公司

STOCK CODE 股份代號 369

ANNUAL REPORT 年報 2018

WINGTAIASIA
永泰亞洲

La Vetta, Kau To Shan, was completed in 2018.
九肚山澐灃於2018年落成。



Le Cap, Kau To Shan, was completed in 2018.
九肚山澐瀚於2018年落成。

Our brands,
Wing Tai Asia and Lanson Place,
are synonymous with quality
craftsmanship, a result of
the close alignment of values
and seamless cooperation of
our committed professional teams.

We strive to deliver sophisticated
yet warm homes that
turn our customers' dreams
into reality. At Wing Tai Asia,

WE DON'T JUST BUILD, WE CRAFT.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
CHENG Wai Chee, Christopher *GBS OBE JP*
(Chairman)
CHENG Wai Sun, Edward *GBS JP*
(Deputy Chairman and Chief Executive)
CHENG Man Piu, Francis
CHOW Wai Wai, John
NG Kar Wai, Kenneth

Non-Executive Directors
KWOK Ping Luen, Raymond *JP*
(KWOK Ho Lai, Edward as his alternate)
HONG Pak Cheung, William
NG Tak Wai, Frederick
CHEN Chou Mei Mei, Vivien

Independent Non-Executive Directors
Simon MURRAY *CBE*
YEUNG Kit Shing, Jackson
Haider Hatam Tyebjee BARMA *GBS CBE ISO JP*
CHENG Hoi Chuen, Vincent *GBS OBE JP*
LAM Kin Fung, Jeffrey *GBS JP*

AUDIT COMMITTEE MEMBERS

YEUNG Kit Shing, Jackson *(Chairman)*
HONG Pak Cheung, William
Haider Hatam Tyebjee BARMA *GBS CBE ISO JP*

REMUNERATION COMMITTEE MEMBERS

Simon MURRAY *CBE (Chairman)*
CHENG Wai Chee, Christopher *GBS OBE JP*
YEUNG Kit Shing, Jackson

NOMINATION COMMITTEE MEMBERS

CHENG Hoi Chuen, Vincent *GBS OBE JP (Chairman)*
CHENG Wai Chee, Christopher *GBS OBE JP*
CHENG Wai Sun, Edward *GBS JP*
YEUNG Kit Shing, Jackson
Haider Hatam Tyebjee BARMA *GBS CBE ISO JP*

COMPANY SECRETARY AND GROUP LEGAL COUNSEL

CHUNG Siu Wah, Henry

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

Slaughter and May *(as to Hong Kong Laws)*
Appleby *(as to Bermuda Laws)*

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank Limited, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Estera Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

27th Floor, AIA Kowloon Tower
Landmark East
100 How Ming Street
Kwun Tong, Kowloon
Hong Kong

COMPANY WEBSITE

http://www.wingtaiproperties.com

HONG KONG STOCK EXCHANGE STOCK CODE

369

GROUP'S MAJOR INVESTMENTS

	Group's Effective Interest
Properties	
Property Development	
The Carmel	100%
So Kwun Wat Road, Tuen Mun (Tuen Mun Town Lot No. 497)	100%
Castle Peak Road, Tai Lam, Tuen Mun (Tuen Mun Town Lot No. 523)	70%
Providence Bay	15%
Providence Peak	15%
The Graces • Providence Bay	15%
Homantin Hillside	50%
Le Cap	35%
La Vetta	35%
Site C of Gage Street/Graham street	50%
Property Investment and Management	
Landmark East	100%
Shui Hing Centre	100%
No. 1 Savile Row/7 Vigo Street, London	100%
8-12 (even) Brook Street, London	100%
35 Berkeley Square, London	100%
Central Park, Beijing (33 units)	100%
10 Fleet Place, London	25%
3 Cavendish Square, London	33%
30 Gresham Street, London	50%
Hospitality Investment and Management	
Lanson Place Hotel, Hong Kong	100%
Waterfront Suites, Hong Kong	100%
Lanson Place Bukit Ceylon Serviced Residences, Kuala Lumpur	50%
Management Services	
Wing Tai Properties Development	100%
Lanson Place Hospitality Management	100%

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2018	2017	
	HK$'M	HK$'M	*% Change*
Revenue	884.7	1,064.3	↓17%
Gross profit	709.4	827.8	↓14%
Change in fair value of investment properties and financial instruments	253.5	882.5	↓71%
Profit before taxation	1,432.3	2,101.0	↓32%
Profit attributable to shareholders of the Company	1,312.4	1,981.9	↓34%
Earnings per share attributable to shareholders of the Company			
Basic	HK$0.97	HK$1.47	↓34%
Diluted	HK$0.97	HK$1.47	↓34%
Dividends per ordinary share			
Interim	HK6.0 cents	HK4.5 cents	↑33%
Final	HK21.0 cents	HK22.5 cents	↓7%
Total	HK27.0 cents	HK27.0 cents	–

	At 31 December		
	2018	2017	
	HK$'M	HK$'M	*% Change*
Total assets	35,427.7	35,496.1	–
Total equity	28,721.9	27,809.9	↑3%

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the results and of the assets and liabilities of the Group for each of the five years ended 31 December 2018:

	Year ended 31 December				
RESULTS	**2018 HK$'M** (Note a)	**2017 HK$'M**	**2016 HK$'M**	**2015 HK$'M**	**2014 HK$'M**
Revenue	884.7	1,064.3	1,103.3	1,009.2	1,783.5
Profit before taxation	1,432.3	2,101.0	1,260.4	1,182.3	2,033.1
Taxation	(52.8)	(98.6)	(111.2)	(83.2)	(89.5)
Profit for the year	1,379.5	2,002.4	1,149.2	1,099.1	1,943.6
Attributable to:					
Shareholders of the Company	1,312.4	1,981.9	1,146.5	1,099.1	1,943.6
Holders of perpetual capital securities	65.7	18.4	–	–	–
Non-controlling interests	1.4	2.1	2.7	–	–
	1,379.5	2,002.4	1,149.2	1,099.1	1,943.6

	At 31 December				
ASSETS AND LIABILITIES	**2018 HK$'M**	**2017 HK$'M**	**2016 HK$'M**	**2015 HK$'M**	**2014 HK$'M**
Total assets	35,427.7	35,496.1	30,776.1	28,220.9	27,527.8
Total liabilities	(6,705.8)	(7,686.2)	(6,464.0)	(4,873.6)	(4,847.6)
Perpetual capital securities	(1,513.9)	(1,514.5)	–	–	–
Non-controlling interests	(6.7)	(5.5)	(3.5)	(1.0)	(1.2)
Equity attributable to shareholders of the Company	27,201.3	26,289.9	24,308.6	23,346.3	22,679.0

Note:

(a) The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained earnings as at 1 January 2018 and that comparatives had not been restated.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that the Group continued to deliver a solid result and consolidated profit attributable to shareholders was HK$1,312 million for the year ended 31 December 2018. Earnings per share was HK$0.97. The Board of Directors has recommended a final dividend of HK21.0 cents per share. Together with the interim dividend of HK6.0 cents per share, the total dividend for the full year will be HK27.0 cents per share, same as 2017.

2018 was an eventful year for the Group. On the residential development front, we launched Le Cap and La Vetta in Kau To Shan, our latest luxury low-density projects featuring modern French and contemporary Italian styles, respectively. The two projects garnered strong market recognition reaffirming our product excellence and achieved record-high unit prices for both the house and special apartment units. Around 25% of the sold units were handed over in 2018 and related revenue and profit was booked in the year under review, with the remaining 75% set to be handed over and booked in 2019.

In January 2019, we further embarked on the pre-sale of The Carmel, a low-density house and apartment development on Castle Peak Road in Tuen Mun, attaining remarkable sales performance with apartment units nearly fully pre-sold. All pre-sold units will be handed over upon project completion by 2020, and related revenue and profit booked by 2020.

For investment properties, we have strategically repositioned and expanded our asset portfolio capitalising on opportunities that complement our business strategy as well as our position in key gateway markets. We timed the market by unlocking the values of two investment properties in Hong Kong, W Square and Winner Godown Building, at premium prices.

Both transactions were completed in the first half of 2018 generating over HK$5 billion cash inflow that further strengthened our balance sheet and enhanced our financial flexibility for expansion. In December 2018, we expanded our investment portfolio in London upon the acquisition of 30 Gresham Street, a prime Grade A office property enjoying full occupancy in the financial centre of London. This represents our sixth commercial property in Central London.

Occupancy and tenant quality at our investment portfolio of quality Grade A offices in Hong Kong and Central London remained consistently high throughout the year. In Hong Kong, we have cemented a good presence in both the traditional CBD in Central and the new CBD2 in Kowloon East.

Kowloon East has been a favoured location for tenants looking for decentralisation alternatives and for those with office consolidation and large floor plate requirements. Landmark East, our flagship Grade A twin office towers located in the heart of Kwun Tong with efficient large floor plates and high specifications, continued to achieve high occupancy and stable rental rate supported by solid demand both from new tenants as well as existing tenants looking for expansion.

We are on schedule to complete the master planning process for the comprehensive development at the prime commercial site at Gage Street/Graham Street in Central, which comprises Grade A office tower, a hotel, retail shops and public open space, and will soon commence foundation work and site formation work.

In terms of hospitality business, our hospitality investment and management brand Lanson Place continued to achieve improving performance, in particular our Hong Kong Lanson Place Hotel. We made our first foray into Australia as we signed up a 10-year management contract to operate a brand new luxury serviced apartment project in the Melbourne CBD, which is scheduled to be completed in 2022. This marks Lanson Place's 12th managed property in the Asia Pacific region.

Taking this opportunity, I would like to express my deep gratitude and appreciation to my fellow Board members for their valuable insights and guidance, and to all business partners, colleagues and stakeholders as a whole for their unwavering support throughout the years.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 27 March 2019

BUSINESS REVIEW

For the year ended 31 December 2018, the Group's revenue was HK$885 million compared with HK$1,064 million in 2017. Consolidated profit for the year was HK$1,380 million, a decrease of HK$622 million compared with HK$2,002 million in 2017. The decrease was mainly attributable to a lower fair value gain on investment properties and financial instruments of HK$254 million in 2018 compared with HK$883 million in 2017.

Consolidated profit attributable to shareholders was HK$1,312 million, a decrease of HK$670 million compared with HK$1,982 million in 2017.

Earnings per share attributable to shareholders was HK$0.97 compared with HK$1.47 in 2017.

Property Development

The property development segment revenue was HK$32 million in 2018 compared with HK$140 million in 2017. Segment loss before taxation was HK$34 million compared with segment profit before taxation of HK$44 million in 2017, which was mainly attributable to (i) a decrease in revenue from the sale of units in property development projects undertaken by the Company's subsidiaries from HK$140 million in 2017 to HK$32 million in 2018 due to the fact that there were fewer of such units available for sale in 2018 and (ii) a decrease in the share of results of joint ventures of HK$150 million due to a delay in the recognition of revenue from property sales as a result of the adoption of HKFRS 15 with effect from 1 January 2018. Pursuant to HKFRS 15, the Group shall recognise revenue from property sales in Hong Kong upon the assignment of title to the units sold to the buyers concerned. However, prior to the adoption of HKFRS 15, revenue from property sales was recognised upon conclusion of the sale and purchase agreements of the units sold. Assignment of title always took place after conclusion of the sale and purchase agreement concerned.

Wholly-owned projects

The Carmel, a low-density residential site in Siu Sau, Tai Lam, Tuen Mun, provides a saleable area of approximately 147,000 square feet for 178 residential units. Pre-sale consent was obtained in November 2018. Pre-sale was launched in January 2019. As at the date of this report, around 76% (in terms of number) of the residential units were sold. Superstructure work is underway and the project is scheduled for completion by 2020. Related revenue and profit of the pre-sold units will be recognised upon handover of such units to buyers prior to the project's material date that falls in March 2020.

The site on So Kwun Wat Road, So Kwun Wat, Tuen Mun, a medium-density residential site, has a gross floor area of approximately 264,000 square feet. Superstructure work has commenced and the project is scheduled for completion in 2021.

Majority-owned project

The Group has a 70% interest in the site adjacent to The Carmel in Siu Sau, Tai Lam, Tuen Mun, a medium-density residential site, that offers a gross floor area of approximately 294,000 square feet. Foundation work and site formation work are in progress. The project is scheduled for completion in 2022.

Joint venture projects

The Group has a 15% interest in each of Providence Bay, Providence Peak and The Graces located at Pak Shek Kok, Tai Po. Cumulatively, as at 31 December 2018, around 99% of the residential units of Providence Bay and Providence Peak were sold and all the residential units of The Graces were sold.

The Group has a 50% interest in Homantin Hillside, located in Hung Hom. The project has a saleable area of approximately 128,000 square feet for 173 residential units. In 2018, around 2% of the residential units were sold. Cumulatively, as at 31 December 2018, around 99% of the residential units were sold. The Group is the lead project manager and lead sales and marketing manager for this project.

The Group has a 35% interest in two low-density residential projects, Le Cap and La Vetta, located in Kau To, Shatin, offering a combined saleable area of approximately 460,000 square feet. Certificates of Compliance for Le Cap and La Vetta were obtained in March 2018 and September 2018, respectively. In 2018, around 25% and 9% of the residential units of Le Cap and La Vetta were sold since their sale launches in late April 2018 and October 2018, respectively. Around 47% (in terms of number) of the sold units of Le Cap were handed over to buyers with related revenue recognised in 2018. The Group is the joint project manager and lead sales and marketing manager for both projects.

The Group has a 50% interest in a commercial complex site in Central, Site C of the Gage Street/Graham Street project as put up by the Urban Renewal Authority. The site is advantageously located in the heart of the bustling Central financial hub, providing a gross floor area of up to 433,500 square feet for the development of a Grade A office tower, a hotel, retail shops as well as public open space with green facilities for the neighbourhood. The Group is the lead project manager and lead leasing manager for this project. Foundation work is scheduled for commencement in the second quarter of 2019.

Property Investment and Management

Following the completion of disposals of Winner Godown Building and W Square in the first half of 2018, the property investment and management segment revenue was HK$674 million in 2018, a decrease of HK$102 million compared with HK$776 million in 2017. Segment profit before taxation (including fair value changes) was HK$1,407 million, compared with HK$1,984 million in 2017. Excluding fair value changes in investment properties and financial instruments (2018 was HK$257 million; 2017 was HK$822 million) and a one-off disposal gain (2018 was HK$693 million; 2017 was HK$661 million), segment profit before taxation was HK$457 million, compared with HK$501 million in 2017.

As at 31 December 2018, the Group's portfolio of investment properties, mainly Grade A office buildings, has a total area of approximately 1,886,000 square feet with an aggregate attributable fair market valuation of around HK$20,400 million. The portfolio encompasses 1,525,000 square feet in Hong Kong, 295,000 square feet in London and 6,200 square metre in Beijing.

Wholly-owned properties in Hong Kong

Landmark East is the Group's flagship property located in Kowloon East. This property is a Grade A office complex comprising twin towers of 36 floors and 34 floors respectively with a total gross floor area of approximately 1,338,000 square feet and 454 car parking spaces. As at 31 December 2018, the property achieved an occupancy of approximately 93%.

Shui Hing Centre is an industrial building in Kowloon Bay, with a gross floor area of approximately 187,000 square feet. As at 31 December 2018, the property achieved an occupancy of approximately 95%.

Disposal of a wholly-owned property in Hong Kong

In January 2018, the Group disposed of its entire interest in W Square, an office and retail complex located in Wan Chai with a gross floor area of approximately 129,000 square feet, at a consideration of approximately HK$2,850 million and recognised a disposal gain of HK$693 million. The disposal was completed in May 2018.

Wholly-owned properties in London, the United Kingdom

The commercial property located at Savile Row/Vigo Street, West End, has a net internal area of approximately 14,000 square feet of Grade A office and retail space.

The high-end commercial property located on Brook Street, West End, offers easy access to the upcoming Bond Street Station of London Crossrail and has a net internal area of approximately 19,000 square feet of Grade A office and retail space.

The commercial property located at Berkeley Square, West End, has a net internal area of approximately 7,900 square feet of Grade A office space.

As at 31 December 2018, the above three wholly-owned properties achieved an average occupancy of approximately 92%.

Joint venture properties in London, the United Kingdom

The Group has a 25% interest in a commercial property located on Fleet Place, the City. The property has a net internal area of approximately 192,000 square feet of Grade A office and retail space. As at 31 December 2018, the property achieved an occupancy of approximately 94%.

The Group has a 33% interest in a commercial property located at Cavendish Square, West End. In the second half of 2018, refurbishment and expansion works were completed. The property has a net internal area of approximately 13,000 square feet of Grade A office space after the expansion work and is scheduled for leasing.

Acquisition of a joint venture property in London, the United Kingdom

In December 2018, through a joint venture with an independent third party, the Group acquired a 50% interest in a 9-storey commercial property located at 30 Gresham Street, the City, which is in close proximity to the Bank of England. The property has a net internal area of approximately 404,000 square feet of Grade A office, retail space and ancillary accommodation, with 48 car parking spaces. The acquisition was completed on 20 December 2018. As at 31 December 2018, the property achieved full occupancy.

Wholly-owned property in Beijing, China

The Group has 33 residential units at Central Park, Beijing with a gross floor area of approximately 6,200 square metres. As at 31 December 2018, approximately 97% of the units were leased.

Hospitality Investment and Management

The hospitality investment and management segment revenue was HK$144 million in 2018 compared with HK$127 million in 2017. Segment profit before taxation (including fair value changes) was HK$120 million in 2018, an increase of HK$93 million compared with HK$27 million in 2017. Excluding fair value changes in investment properties and financial instruments (2018 was HK$85 million; 2017 was HK$1 million), segment profit before taxation was HK$35 million in 2018, compared with HK$26 million in 2017, an increase of HK$9 million mainly due to an increase in profit from hotel operations in Hong Kong.

The wholly-owned Lanson Place Hotel in Hong Kong registered improvement in both the occupancy and average room rate in 2018.

The Group has a 50% interest in Lanson Place Bukit Ceylon Serviced Residences in Kuala Lumpur, which recorded a stable occupancy as well as average rental rates.

The wholly-owned prime harbour-front project in Shau Kei Wan obtained occupation permit in August 2018. It will be fully furnished and is scheduled for leasing in the first half of 2019.

Lanson Place currently manages nine third-party serviced residences, of which five are in Shanghai. Other serviced residences are located in Hong Kong, Singapore, Kuala Lumpur and Chengdu.

In April 2018, a 10-year management contract was signed to manage a brand new luxury serviced residence project of approximately 117 units in the city centre of Melbourne, Australia. The project is targeted for completion by 2022. This marks Lanson Place's first property in Australia and is also the Group's 12th managed property in the Asia Pacific region.

Lanson Place Hospitality Management and the properties under the brand continue to be well recognised by travellers. In Hong Kong, Lanson Place Hotel and Two MacDonnell Road were awarded the "Certificate of Excellence 2018" by TripAdvisor. In Shanghai, One Sunland Serviced Suites managed by Lanson Place won the "Best Serviced Apartment Award" at the Weekend on the Go~2018 Best Travel Destination Awards presented by City Traveler magazine in June 2018. Lanson Place Jinlin Tiandi Serviced Residences also clinched the "Best Serviced Apartment in China" title at the TTG China Travel Awards 2018 in March 2018. In Kuala Lumpur, Lanson Place Bukit Ceylon Serviced Residences took home four accolades, including the "Aparthotel of the Year 2018" at the Travel and Hospitality Awards, the "Recognition of Excellence 2018" by HotelsCombined, the "Asia Pacific Hotel Awards for Best Large Hotel Malaysia 2018-2019" at the International Hotel Awards in June 2018 as well as the "2018 Travelers' Choice" award by TripAdvisor. Ambassador Row Hotel Suites by Lanson Place was named the "Business Hotel of the Year 2018 (Malaysia)" at the Travel and Hospitality Awards in June 2018.

Others

This segment represents investing activities and central management and administrative expenses. Segment revenue was HK$34 million in 2018, compared with HK$22 million in 2017. The increase was mainly attributable to interest income from debt securities.

Segment loss before taxation (including fair value changes) was HK$61 million in 2018 compared with a segment profit of HK$45 million in 2017. The segment loss mainly represented a fair value loss of financial instruments of HK$103 million. With effect from 1 January 2018, upon adoption of HKFRS 9 Financial Instruments, REIT and other financial investments have been reclassified as financial investments at fair value through profit or loss. The fair value loss of the Group's investment in Suntec REIT in the amount of HK$100 million reflected a drop in market price of the units in Suntec REIT which are listed on the Singapore Exchange. This loss would have been charged to the consolidated statement of comprehensive income if HKFRS 9 were not adopted. The balance of HK$3 million of fair value loss was related to other financial investments but not to the adoption of HKFRS 9. Excluding fair value loss in financial instruments, segment profit before taxation was HK$42 million in 2018, an increase of HK$40 million compared with HK$2 million in 2017, which was mainly due to an increase in interest income from debt securities and in bank interest income from time deposit placements during the year.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's net assets totalled HK$28,722 million as at 31 December 2018 (2017: HK$27,810 million). The increase of HK$912 million is mainly resulted from the profit for the year of HK$1,380 million, offset by the distribution of the 2017 final dividend and 2018 interim dividend of HK$385 million and distribution to holders of perpetual capital securities of HK$66 million.

As at 31 December 2018, the Group's bank and other borrowings totalled HK$5,035 million (2017: HK$6,184 million). The maturity profile of the Group's bank and other borrowings is set out below:

	31 December 2018		31 December 2017	
	HK$ million	**%**	HK$ million	%
Repayable:				
Within one year	**1,295**	**26%**	1,402	23%
Between one and two years	**110**	**2%**	1,134	18%
Between two and five years	**3,339**	**66%**	2,776	45%
After five years	**291**	**6%**	872	14%
	5,035	**100%**	6,184	100%

As at 31 December 2018, the Group's net borrowings (total bank and other borrowings less bank balances and cash) were HK$2,161 million (2017: HK$5,530 million), representing 7.5% of the Group's net assets (2017: 19.9%). The decrease in gearing ratio is mainly due to the receipt of proceeds from the disposals of wholly-owned properties, resulting in an increase in bank balances and cash. Interest for the Group's bank borrowings is mainly on a floating rate basis while interest for the Group's bonds is on a fixed rate basis. The Group will closely monitor the exposure to interest rate fluctuations and, if appropriate, hedge by interest rate swap contracts to the extent desirable.

The Group's bank balances and cash as well as unutilised revolving loan facilities are set out as follows:

	31 December 2018 HK$ million	31 December 2017 HK$ million
Bank balances and cash	**2,874**	654
Unutilised revolving loan facilities	**2,423**	976
	5,297	1,630

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has immaterial exposure to exchange rate fluctuations. The Group conducts its business mainly in Hong Kong dollars, and to a lesser extent Renminbi, UK pounds, Singapore dollars and Malaysia Ringgits. For transactions in foreign currencies, the Group will closely monitor the exposure and, if appropriate, hedge by local currency financing and other financial instruments to the extent desirable. In particular, exposure to investments in foreign operations in the United Kingdom is substantially covered by local currency financing and forward exchange contracts.

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities of HK$8,081 million (2017: HK$5,223 million) in respect of guarantees given by the Company for banking facilities granted to certain joint ventures. The guarantees were given severally and in proportion to the Group's equity interests in the joint ventures.

Pledge of Assets

As at 31 December 2018, the Group's advances to joint ventures of HK$3,635 million (2017: HK$5,285 million) were subordinated to the loan facilities of joint ventures and assigned. The shares in these joint ventures beneficially owned by the Group are pledged to the financial institutions.

As at 31 December 2018, several of the Group's investment properties, properties for sale and financial investments at fair value through profit or loss with carrying values of HK$3,864 million, HK$3,793 million and HK$297 million, respectively, were pledged to secure credit facilities for the Group.

PROSPECTS

In the light of the Sino-US trade disputes, uncertainties surrounding Brexit, a slowing growth in China's economy and various housing measures including the impending vacancy tax as laid down by the Hong Kong government, the operating environment for the Group's businesses remains challenging in 2019.

Hong Kong's economic fundamentals have stayed healthy by and large despite the potential downside risks. While there is no immediate solution to alleviate supply shortage in the short run, the solid pent-up demand from local homebuyers and investors from mainland China as well as a slower pace of interest rate hikes are expected to be supportive of the residential property market sentiment, which would remain positive in the near term. We anticipate only a moderate correction in the overall property prices for the full year of 2019.

For residential development, we will continue the sales of further phases of Le Cap, La Vetta and The Carmel, while making full preparation for the pre-sale of Tuen Mun 497, a mid-density lifestyle development in So Kwun Wat, Tuen Mun.

Meanwhile, our residential project in Shau Kai Wan is nearing completion undergoing its final stage of interior furnishings. Perched right on the shore of Eastern waterfront, we have formally named the development as Waterfront Suites and will have it launched for leasing in the second quarter of 2019. This will help create an additional stream of steady recurring income and cash flow for the Group going forward.

On office properties, in London, following the acquisition of 30 Gresham Street with full occupancy, the Group's recurring leasing income base has further been enhanced. In Hong Kong, Landmark East is set to benefit from its central location in Kwun Tong, strong tenant profile and well-maintained quality facilities, continuing to enjoy its dominance in the large floor plate segment of the market and deliver a steady leasing income.

As we advance ahead, we are always keen to expand our land bank and broaden our asset portfolio in the residential, commercial and/or hospitality arenas, both in Hong Kong and key gateway cities. With a healthy balance sheet, we will continue to uphold our selective yet active approach to capitalise upon long-term growth opportunities while maintaining our core values of top quality and service.

KEY RISKS AND UNCERTAINTIES

The Group's business, financial conditions or results of operations are affected by a number of key risks and uncertainties outlined below. There may be other risks or uncertainties, including those which are not known to the Group or which the Group currently deems to be immaterial but may affect the Group in future.

Business Risks

Property development

A majority of the Group's assets are located in, and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong and the property market, the interest rate changes and the political and legal situations in Hong Kong may have a significant impact on the Group's operating results and financial condition.

The Group's activities on its development properties are also subject to various laws and regulations of Hong Kong. Developing properties, refurbishment and other re-development projects require government permits. The government may introduce property cooling measures from time to time which may have a significant impact on the property market and may adversely affect the Group's property sales performance and financial condition.

Property investment and hospitality business

Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or above the current rental rates for tenancies.

CORPORATE SOCIAL RESPONSIBILITY

Employees

As at 31 December 2018, the Group had approximately 480 employees. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme and an occupational retirement scheme to provide retirement benefits to all employees in Hong Kong.

Employees, including directors, are eligible for the Company's share option plan where the shares options are generally exercisable by phases within ten years.

Communities

The Group takes pride in being an outstanding member of the communities in which it operates. As such, the Group has introduced a number of initiatives under its Corporate Social Responsibility mission and shall continue to seek innovative and meaningful ways to engage its employees and associates in building stronger and more vibrant communities in which it operates.

The Group's 2018 activities covered the followings:

- Red Packet Collection for Re-use
- Blood Donation Day
- Elderly Home Visit
- Heifer Race to Feed 2018

Environment

This year the Group continued to sign up as a member of "Friends of the Earth". As an Earth Partner, we are committed to supporting and contributing to environment protection by going "Green" at the workplace.

Compliance with Laws and Regulations

The Group is committed to complying with all relevant rules and regulations issued by the Government of the Hong Kong Special Administrative Region in relation to construction of properties, sales of properties, property management and employees, etc. The Group also holds relevant required licences for the provision of hospitality services. Relevant employees are trained to any changes in the applicable laws, rules and regulations from time to time.

Relationship with Suppliers

The selection of major suppliers or contractors is conducted through tendering process in all the Group's segments. The Internal Audit Department of the Group regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

Relationship with Customers

For our residential development projects, the Group has comprehensive hand-over procedures to ensure delivery of quality products to our customers.

For our commercial and residential estate management and hospitality management, the Group obtains regular feedback from customers in order to enhance quality of services.

OTHERS

In respect of Code Provision C.1.4 of Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, discussion and analysis of the Group's performance during the year and corporate strategies are set out in "Chairman's Statement" on pages 10 and 11 and "Management Discussion and Analysis" on pages 12 to 19.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Dr. CHENG Wai Chee, Christopher *GBS OBE JP*, aged 70, has been the Chairman of the Company since 1991. Dr. Cheng is a member of the Remuneration Committee and Nomination Committee of the Company. He is also a director of certain members of the Group. Dr. Cheng is an independent non-executive director of NWS Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited. He holds a Doctorate in Social Sciences honoris causa from The University of Hong Kong and a Doctorate in Business Administration honoris causa by The Hong Kong Polytechnic University. Dr. Cheng graduated from the University of Notre Dame, Indiana with a BBA degree, and from Columbia University, New York with an MBA degree.

Dr. Cheng is a member of the board of overseers of Columbia Business School and a member of the President's Council on International Activities of Yale University. He ceased to be a member of the International Advisory Board of the Hong Kong Polytechnic University in August 2018.

Dr. Cheng is a brother of Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis. He is a director of Wing Tai Corporation Limited, Renowned Development Limited, Wing Tai (Cheng) Holdings Limited and Brave Dragon Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

Mr. CHENG Wai Sun, Edward *GBS JP*, aged 63, has been an executive director and Chief Executive since 1994 and Deputy Chairman of the Company since 2007. Mr. Cheng is a member of the Nomination Committee of the Company and a director of certain members of the Group. He is also an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited. Mr. Cheng has a master's degree from Oxford University. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is a non-executive director of the Securities and Futures Commission and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. Mr. Cheng is a Justice of the Peace, and has been awarded the Gold Bauhinia Star by the Government of the HKSAR.

Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Man Piu, Francis.

Mr. CHENG Man Piu, Francis, aged 66, has been an executive director of the Company since 1991 and is also a director of two members of the Group. Mr. Cheng graduated from the University of Wisconsin with a Bachelor of Science degree in Industrial Engineering and an MBA degree. He is the Vice-Chairman of The Federation of Hong Kong Garment Manufacturers and also a general committee member of The Chinese Manufacturers' Association of Hong Kong and Textile Council of Hong Kong.

Mr. Cheng is a brother of Dr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward. He is the Assistant Managing Director of Wing Tai Corporation Limited and a director of both Renowned Development Limited and Wing Tai (Cheng) Holdings Limited. The aforementioned companies are substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. CHOW Wai Wai, John, aged 69, has been an executive director of the Company since 2007. He is the Managing Director of the Group's Property Investment and Management Division and a director of certain members of the Group. Mr. Chow graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also a non-executive director of Dah Sing Financial Holdings Limited and ARA Trust Management (Suntec) Limited (Manager of the Singapore listed Suntec Real Estate Investment Trust). Mr. Chow has over 40 years of experience in the property investment and management business.

Mr. Chow is the son of Mr. Chow Chung Kai and Mrs. Chow Yu Yue Chen and a director of both Farnham Group Limited ("Farnham") and Gala Land Investment Co. Limited ("Gala"). Mr. Chow Chung Kai, Mrs. Chow Yu Yue Chen, Farnham and Gala are substantial shareholders of the Company within the meaning of Part XV of the SFO.

Mr. NG Kar Wai, Kenneth, aged 63, has been an executive director of the Company since January 2015. He is the Managing Director of the Group's Property Division and a director of a number of members of the Group. He is a seasoned Chartered Civil Engineer with considerable expertise in the development and construction of a variety of properties, ranging from commercial and residential to hospitality developments, in Hong Kong, Mainland China and other Asian cities. Prior to joining the Company, Mr. Ng worked for various well-known property development and construction companies including Shangri-La Hotels and Resorts Group, CITIC Pacific Limited, Hsin Chong Construction Group and Swire Properties Limited.

A Registered Structural Engineer and Chartered Engineer, Mr. Ng is a member of the Hong Kong Institution of Engineers, Institution of Civil Engineers, UK and Institution of Structural Engineers, UK and an Adjunct Professor, Department of Real Estate and Construction, The University of Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. KWOK Ping Luen, Raymond *JP*, aged 65, has been a non-executive director of the Company since 1991. He is the Chairman and Managing Director of Sun Hung Kai Properties Limited ("SHKP") (a substantial shareholder of the Company within the meaning of Part XV of the SFO). Mr. Kwok holds a Master of Arts degree in Law from Cambridge University, a Master's degree in Business Administration from Harvard University, an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong and an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong. Mr. Kwok is the Chairman and an executive director of SUNeVision Holdings Ltd. He is also the Chairman and a non-executive director of SmarTone Telecommunications Holdings Limited, and a non-executive director of Transport International Holdings Limited.

In civic activities, Mr. Kwok is a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He is also a director of The Real Estate Developers Association of Hong Kong and a member of the Council of The Chinese University of Hong Kong.

Mr. Kwok is the father of Mr. Kwok Ho Lai, Edward.

Mr. KWOK Ho Lai, Edward, aged 38, has been the alternate director to Mr. Kwok Ping Luen, Raymond ("Mr. Raymond Kwok") of the Company since April 2015. He holds a Bachelor of Arts degree from Yale University and a Postgraduate Diploma in Professional Accountancy from The Chinese University of Hong Kong. He has also obtained an Executive MBA degree from the Kellogg School of Management and the HKUST Business School in December 2017. His professional qualifications include being both a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales. Mr. Kwok is the alternate director to Mr. Raymond Kwok of SHKP and is a sales and project manager of SHKP group responsible for feasibility study, marketing and planning of new residential projects of SHKP group in Hong Kong. SHKP is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Before joining SHKP group, Mr. Kwok worked in a major international audit firm. He is a son of Mr. Raymond Kwok.

Mr. HONG Pak Cheung, William, aged 64, has been a non-executive director of the Company since 2002. Mr. Hong is a member of the Audit Committee of the Company. He received a Bachelor of Science degree in Mathematics from the University of Saskatchewan in Canada and completed the Advanced Management Program at Harvard University Graduate School of Business. Mr. Hong currently holds the position of Manager at SHKP (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. NG Tak Wai, Frederick, aged 61, acted as executive director from 1995 and was re-designated as a non-executive director of the Company in April 2011. He graduated from Georgetown University with a BSBA degree, and also graduated from Columbia University with an MBA degree. Mr. Ng held senior management positions in various garment manufacturing and distribution companies affiliated with the Wing Tai Group in Hong Kong. His background is in manufacturing operations and management information systems.

Mrs. CHEN Chou Mei Mei, Vivien, aged 69, has been a non-executive director of the Company since 2012, and joined the Group in 2007. She graduated with a Bachelor of Arts degree from the University of Colorado in the United States of America and has over 30 years' experience in investments, in particular, property related investments. Mrs. Chen is an independent non-executive director of New Silkroutes Group Limited (listed on the Singapore Exchange).

Mrs. Chen is a director of both Farnham and Gala which are substantial shareholders of the Company within the meaning of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Simon MURRAY *CBE*, aged 79, has been an independent non-executive director of the Company since 1994. Mr. Murray is the Chairman of the Remuneration Committee of the Company. He is the Chairman of General Enterprise Management Services Limited, a private equity fund management company. Mr. Murray is an independent non-executive director of Spring Asset Management Limited (Manager of the listed Spring Real Estate Investment Trust) and IRC Limited. He is also a non-executive director of Greenheart Group Limited and China LNG Group Limited. He has been the Executive Chairman of Asia Pacific for the Deutsche Bank Group. Mr. Murray was the Group Managing Director of Hutchison Whampoa Limited for 10 years.

Mr. YEUNG Kit Shing, Jackson, aged 69, has been an independent non-executive director of the Company since 2004. He is the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Yeung has over 35 years of experience in finance and accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University.

Mr. Haider Hatam Tyebjee BARMA *GBS CBE ISO JP*, aged 75, has been an independent non-executive director of the Company since 2012 and joined the Group in 2007. He is a member of both the Nomination Committee and the Audit Committee of the Company. Mr. Barma graduated with a Bachelor of Arts degree from The University of Hong Kong and worked in the Hong Kong government for 30 years. After retiring from the civil service in 1996, he served as Chairman of the Public Service Commission from August 1996 to April 2005. Mr. Barma then served as Chief Executive Officer of the Hong Kong Research Institute of Textiles and Apparel from April 2006 to July 2012.

Mr. CHENG Hoi Chuen, Vincent *GBS OBE JP*, aged 70, has been an independent non-executive director and Chairman of the Nomination Committee of the Company since February 2013. He graduated with a Bachelor of Social Science degree in Economics from The Chinese University of Hong Kong and a Master's degree of Philosophy in Economics from The University of Auckland. Mr. Cheng is an independent non-executive director of MTR Corporation Limited, Great Eagle Holdings Limited, CLP Holdings Limited, Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), Shanghai Industrial Holdings Limited and CK Hutchison Holdings Limited.

Mr. Cheng is the former chairman of The Hongkong and Shanghai Banking Corporation Limited and the former chairman of HSBC Bank (China) Limited.

Mr. Cheng was a member of the Executive Council, the Legislative Council of the Hong Kong government and Hong Kong Affairs Adviser to the People's Republic of China.

Mr. LAM Kin Fung, Jeffrey, *GBS JP*, aged 67, has been an independent non-executive director of the Company since June 2018. He holds a bachelor degree in mechanical engineering from Tufts University in the United States and was conferred university fellow of Tufts University and The Hong Kong Polytechnic University. He has over 30 years of experience in toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing.

Mr. Lam is an independent non-executive director of each of C C Land Holdings Limited, China Overseas Grand Oceans Group Limited, CWT International Limited, Chow Tai Fook Jewellery Group Limited, i-CABLE Communications Limited and Wynn Macau, Limited, all of these companies are listed companies in Hong Kong.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He is a member of the Legislative Council of the Hong Kong Special Administrative Region (the "HKSAR"), a non-official member of the Executive Council of the HKSAR, a member of the Board of The Airport Authority Hong Kong, the Chairman of the Complaints Committee of the Independent Commission Against Corruption, a general committee member of the Hong Kong General Chamber of Commerce and a honorary member of the Court of The Hong Kong Polytechnic University, a director on the board of Heifer International Hong Kong Limited, and a director of the Hong Kong Mortgage Corporation Limited.

SENIOR MANAGEMENT

Ms. FUNG Ching Man, Janet, aged 56, joined the Group in 2007. She is the Chief Financial Officer and a director of a number of members of the Group. Ms. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. CHUNG Siu Wah, Henry, aged 64, joined the Group in 1993. He is the Group Legal Counsel and Company Secretary of the Company and a director of a number of members of the Group. Mr. Chung holds a Master's Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, a Bachelor's Degree in Laws from University of London, a Bachelor's Degree and a Master's Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's Degree in Laws from Tsinghua University. He is a Barrister, a Certified Accountant and a Chartered Secretary.

Mrs. LI Kan Fung Ling, Karen, aged 57, is the Executive Director of Lanson Place, the hospitality management arm of the Group. She is also the Director of Corporate Development and a director of a few members of the Group. Joining the Group in 1994, Mrs. Li has helped found Lanson Place. She has been responsible for the Group's corporate branding and hospitality projects ever since. She has 30 years of international experience in strategic planning and operations relating to luxurious residential and hotel projects. Mrs. Li previously helped Wharf Hotels Investment Limited (H.K.) and Hilton Hotels Corporation (Beverly Hills, U.S.A.) in setting up flagship projects. She holds a BBA degree with distinction in Hotels and Tourism Management from University of Hawaii and an MBA degree in Finance and International Business from George Washington University, Washington, D.C.

Mr. Michael Hamilton HOBSON, aged 62, joined Lanson Place Hospitality Management Limited ("LPHML"), the hospitality management arm of the Group, as the Chief Executive Officer in January 2019. He is also a director of LPHML.

Mr. Hobson has over 30 years of experience in the hospitality industry. Prior to joining the Group, he was the Chief Marketing/Commercial Officer of the Mandarin Oriental Group. Mr. Hobson holds an MBA degree in Marketing at the University of Leicester, United Kingdom.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was, and as of the date of this report is, investment holding. Its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's joint ventures and associates are principally engaged in property investment, property development and hospitality investment.

Details of the Company's principal subsidiaries, the Group's principal joint ventures and associates at 31 December 2018 are set out in notes 43, 44 and 19(a) to the financial statements respectively.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development, principal risks and uncertainties that the Group may be facing and particulars of important events affecting the Group that have occurred since the end of the financial year are provided in the Chairman's Statement on pages 10 to 11 and Management Discussion and Analysis on pages 12 to 19 of this annual report.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 8 and Management Discussion and Analysis on pages 12 to 19 of this annual report.

Discussions on the Group's environmental policies and performance, an account of the Group's relationships with its key stakeholders that have a significant impact on the Group and on which the Group's success depends and compliance with the relevant laws and regulations which have a significant impact on the Group are also provided in the Management Discussion and Analysis on pages 12 to 19 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 62.

An interim dividend of HK6.0 cents (2017: HK4.5 cents) per share, amounting to a total of about HK$80.9 million, was paid to shareholders on 3 October 2018.

The Directors recommend the payment of a final dividend of HK21.0 cents per share for the year ended 31 December 2018 (2017: HK22.5 cents per share) to shareholders whose names appear on the register of members of the Company on 6 June 2019, which together with the interim dividend payment amounts to a total of approximately HK$365.0 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on or around 21 June 2019.

SHARES ISSUED IN THE YEAR

Details of the shares issued during the year as the result of exercise of incentive share awards and share options are set out in notes 33 and 35 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2018, calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$6,214 million (2017: HK$2,245 million).

PROPERTIES

Details of the properties held for development and/or sale and for investment purposes are set out on pages 154 to 158.

DONATIONS

During the year, the Group made charitable and other donations totaling HK$1.1 million.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year were, and as of the date of this report are, as follows:

Executive Directors:

Cheng Wai Chee, Christopher *GBS OBE JP (Chairman)*
Cheng Wai Sun, Edward *GBS JP (Deputy Chairman and Chief Executive)*
Cheng Man Piu, Francis
Chow Wai Wai, John
Ng Kar Wai, Kenneth

Non-Executive Directors:

Kwok Ping Luen, Raymond *JP (Kwok Ho Lai, Edward as his alternate)*
Hong Pak Cheung, William
Ng Tak Wai, Frederick
Chen Chou Mei Mei, Vivien

Independent Non-Executive Directors:

Simon Murray *CBE*
Fang Hung, Kenneth *GBS CBE JP (retired on 6 June 2018)*
Yeung Kit Shing, Jackson
Haider Hatam Tyebjee Barma *GBS CBE ISO JP*
Cheng Hoi Chuen, Vincent *GBS OBE JP*
Lam Kin Fung, Jeffrey *GBS JP (appointed on 6 June 2018)*

In accordance with Bye-law 100(A) of the Company's Bye-laws and code provision A.4.2 of Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Cheng Wai Sun, Edward, Ng Tak Wai, Frederick, Chen Chou Mei Mei, Vivien, Haider Hatam Tyebjee Barma, Cheng Hoi Chuen, Vincent will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with the Bye-law 103(B) of the Company's Bye-law and code provision A.4.2 of the CG Code, Lam Kin Fung, Jeffrey shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in section 467 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the directors of the Group is currently in force and was in force during the year.

A Directors and Officers Liability Insurance Policy against potential costs and liabilities arising from claims brought against the directors of the Group is in place.

PUBLIC FLOAT

As at the latest practical date prior to the issue of this annual report, the Company maintained the prescribed public float under the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2018, the interests of the Directors and the Chief Executive of the Company in shares and underlying shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules are as follows:

Interests in the Company

	Number of shares/underlying shares held						
Director	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives *(Note f)*	Aggregate interests	Approx. percentage of the issued share capital *(Note a)*
Cheng Wai Chee, Christopher	12,602,816	–	–	462,488,185 *(Note b)*	2,130,750	477,221,751	35.37%
Cheng Wai Sun, Edward	10,535,481	–	–	462,488,185 *(Note b)*	2,130,750	475,154,416	35.22%
Cheng Man Piu, Francis	–	–	–	462,488,185 *(Note b)*	–	462,488,185	34.28%
Chow Wai Wai, John	786,252	–	–	–	389,750	1,176,002	0.09%
Ng Kar Wai, Kenneth	359,250	–	–	–	1,062,750	1,422,000	0.11%
Kwok Ping Luen, Raymond	–	–	–	9,224,566 *(Note c)*	–	9,224,566	0.68%
Kwok Ho Lai, Edward *(Alternate Director to Kwok Ping Luen, Raymond)*	–	–	–	9,736,566 *(Note d)*	–	9,736,566	0.72%
Ng Tak Wai, Frederick	278,391	1,016,000	–	313,666 *(Note e)*	–	1,608,057	0.12%

Notes:

(a) The total number of issued shares in the capital of the Company (the “Shares”) as at 31 December 2018 was 1,349,158,029.

(b) Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis, being beneficiaries of a family trust, were deemed to be interested in 462,488,185 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited as set out under the section headed Substantial Shareholders’ Interests below. The same represented the same interests and were therefore duplicated amongst these three Directors for the purpose of Part XV of the SFO.

(c) Kwok Ping Luen, Raymond was deemed to be interested in 9,224,566 Shares by virtue of being a beneficiary of a trust for the purpose of Part XV of the SFO. As this trust is one of the discretionary trusts, as referred to in Note (d) below, these 9,224,566 Shares represented the same interests and were therefore duplicated between Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward for the purpose of Part XV of the SFO.

(d) Kwok Ho Lai, Edward was deemed to be interested in 9,736,566 Shares by virtue of being a beneficiary of certain discretionary trusts for the purpose of Part XV of the SFO.

(e) 313,666 Shares were held by Ng Tak Wai, Frederick jointly with his spouse.

(f) These interests represented the interests in underlying Shares in respect of the share options and/or incentive shares granted by the Company to these Directors. Details of which are set out in the section below headed Equity-Linked Agreements.

Save as disclosed herein, as at 31 December 2018, none of the Directors or the Chief Executive of the Company had or was deemed to have any interest or short position in the Shares and underlying Shares as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting as at 31 December 2018 are set out below:

Share Option Plan

Under the Share Option Plan of the Company adopted by the shareholders of the Company on 27 October 2015 (“Share Option Plan”), the Board of Directors of the Company or a duly authorised committee thereof may, in its absolute discretion, grant options to directors, employees, officers, consultants, former directors, former employees, former officers or former consultants of any members of the Group (the “Eligible Persons”) to subscribe for the Shares. The purpose of the Share Option Plan is to enable the Company to grant share options to incentivise and retain such Eligible Persons.

Outstanding Share Options

Details of the share options granted and summary of movements of the outstanding share options for the year ended 31 December 2018 under the Share Option Plan are as follows:

	Date of grant	Exercise price per share option *(HK$)*	Closing price of Shares immediately before the date of grant *(HK$)*	Exercise period	Number of share options As at 1.1.2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2018	Weighted average closing price of the Shares immediately before the dates on which the options were exercised *(HK$)*
Director										
Cheng Wai Chee, Christopher	18.3.2016	4.48	4.35	25.1.2018 to 17.3.2026	247,250	–	247,250	–	–	5.51
	18.3.2016	4.48	4.35	25.1.2019 to 17.3.2026	494,500	–	–	–	494,500	N/A
	13.1.2017	4.75	4.74	13.1.2018 to 13.1.2027	248,750	–	248,750	–	–	5.38
	13.1.2017	4.75	4.74	13.1.2019 to 13.1.2027	248,750	–	–	–	248,750	N/A
	13.1.2017	4.75	4.74	13.1.2020 to 13.1.2027	497,500	–	–	–	497,500	N/A
	27.3.2018	6.10	6.10	22.1.2019 to 26.3.2028	–	222,500	–	–	222,500	N/A
	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028	–	222,500	–	–	222,500	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028	–	445,000	–	–	445,000	N/A
Cheng Wai Sun, Edward	18.3.2016	4.48	4.35	25.1.2018 to 17.3.2026	247,250	–	247,250	–	–	5.51
	18.3.2016	4.48	4.35	25.1.2019 to 17.3.2026	494,500	–	–	–	494,500	N/A
	13.1.2017	4.75	4.74	13.1.2018 to 13.1.2027	248,750	–	248,750	–	–	5.38
	13.1.2017	4.75	4.74	13.1.2019 to 13.1.2027	248,750	–	–	–	248,750	N/A
	13.1.2017	4.75	4.74	13.1.2020 to 13.1.2027	497,500	–	–	–	497,500	N/A
	27.3.2018	6.10	6.10	22.1.2019 to 26.3.2028	–	222,500	–	–	222,500	N/A
	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028	–	222,500	–	–	222,500	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028	–	445,000	–	–	445,000	N/A
Chow Wai Wai, John	18.3.2016	4.48	4.35	25.1.2018 to 17.3.2026	46,250	–	46,250	–	–	5.51
	18.3.2016	4.48	4.35	25.1.2019 to 17.3.2026	92,500	–	–	–	92,500	N/A
	13.1.2017	4.75	4.74	13.1.2018 to 13.1.2027	45,750	–	45,750	–	–	5.38
	13.1.2017	4.75	4.74	13.1.2019 to 13.1.2027	45,750	–	–	–	45,750	N/A
	13.1.2017	4.75	4.74	13.1.2020 to 13.1.2027	91,500	–	–	–	91,500	N/A
	27.3.2018	6.10	6.10	22.1.2019 to 26.3.2028	–	40,000	–	–	40,000	N/A
	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028	–	40,000	–	–	40,000	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028	–	80,000	–	–	80,000	N/A

	Date of grant	Exercise price per share option *(HK$)*	Closing price of Shares immediately before the date of grant *(HK$)*	Exercise period	Number of share options					Weighted average closing price of the Shares immediately before the dates on which the options were exercised *(HK$)*
					As at 1.1.2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2018	
Director										
Ng Kar Wai, Kenneth	18.3.2016	4.48	4.35	25.1.2018 to 17.3.2026	14,000	–	14,000	–	–	5.51
	18.3.2016	4.48	4.35	25.1.2019 to 17.3.2026	28,000	–	–	–	28,000	N/A
	13.1.2017	4.75	4.74	13.1.2018 to 13.1.2027	13,250	–	13,250	–	–	5.38
	13.1.2017	4.75	4.74	13.1.2019 to 13.1.2027	13,250	–	–	–	13,250	N/A
	13.1.2017	4.75	4.74	13.1.2020 to 13.1.2027	26,500	–	–	–	26,500	N/A
	27.3.2018	6.10	6.10	22.1.2019 to 26.3.2028	–	10,250	–	–	10,250	N/A
	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028	–	10,250	–	–	10,250	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028	–	20,500	–	–	20,500	N/A
Employees										
Employees in aggregate	18.3.2016	4.48	4.35	25.1.2018 to 17.3.2026	217,500	–	217,500	–	–	5.51
	18.3.2016	4.48	4.35	25.1.2019 to 17.3.2026	435,000	–	–	–	435,000	N/A
	13.1.2017	4.75	4.74	13.1.2018 to 13.1.2027	240,000	–	240,000	–	–	5.38
	13.1.2017	4.75	4.74	13.1.2019 to 13.1.2027	240,000	–	–	–	240,000	N/A
	13.1.2017	4.75	4.74	13.1.2020 to 13.1.2027	480,000	–	–	–	480,000	N/A
	27.3.2018	6.10	6.10	22.1.2019 to 26.3.2028	–	201,000	–	–	201,000	N/A
	27.3.2018	6.10	6.10	22.1.2020 to 26.3.2028	–	201,000	–	–	201,000	N/A
	27.3.2018	6.10	6.10	22.1.2021 to 26.3.2028	–	402,000	–	–	402,000	N/A
					5,502,750	2,785,000	1,568,750	–	6,719,000	

Note: The Company will provide subscription money to the share options holders in the event that they exercise their share options when the market price of the Shares is equal to or higher than the exercise price of share options concerned.

Further details of Share Option Plan are set out in note 35 to the financial statements.

Share Incentive Scheme

Under the Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof may, in its absolute discretion, make offer of awards to selected employees (including executive directors) of the Group to subscribe in cash at par value for Shares.

The Share Incentive Scheme expired on 16 June 2015 and no further incentive shares can be granted thereafter under the Share Incentive Scheme but the provisions of the Share Incentive Scheme remain in full force and effect in all other respects in relation to the incentive shares granted. All outstanding incentive shares granted which are yet to be vested or exercised shall remain valid.

Outstanding Incentive Shares

Details of the incentive shares granted and summary of the movements of the outstanding incentive shares for the year ended 31 December 2018 under the Share Incentive Scheme are as follows:

		Number of incentive shares						
	Date of award	As at 1.1.2018	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2018	Vesting date of the outstanding awards	Exercisable period
Director								
Cheng Wai Chee, Christopher	28.5.2015	384,500	–	384,500	–	–	N/A	N/A
Cheng Wai Sun, Edward	28.5.2015	384,500	–	384,500	–	–	N/A	N/A
Chow Wai Wai, John	28.5.2015	80,500	–	80,500	–	–	N/A	N/A

	Date of award	Number of incentive shares As at 1.1.2018	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2018	Vesting date of the outstanding awards	Exercisable period
Director								
Ng Kar Wai, Kenneth	15.6.2015	106,000	–	106,000	–	–	N/A	N/A
	15.6.2015	212,000	–	–	–	212,000	21.1.2019	21.1.2019 to 15.6.2025
	15.6.2015	106,000	–	106,000	–	–	N/A	N/A
	15.6.2015	106,000	–	–	–	106,000	21.1.2019	21.1.2019 to 15.6.2025
	15.6.2015	212,000	–	–	–	212,000	21.1.2020	21.1.2020 to 15.6.2025
	15.6.2015	106,000	–	–	–	106,000	21.1.2019	21.1.2019 to 15.6.2025
	15.6.2015	106,000	–	–	–	106,000	21.1.2020	21.1.2020 to 15.6.2025
	15.6.2015	212,000	–	–	–	212,000	21.1.2021	21.1.2021 to 15.6.2025
Employees								
Employees in aggregate	28.5.2015	371,500	–	371,500	–	–	N/A	N/A
		2,387,000	–	1,433,000	–	954,000		

Note: Subscription price per Share is the par value of the Share. Funds for subscription of Shares will be provided by the Company when the right to subscribe for Shares is exercised.

Further details of Share Incentive Scheme are set out in note 35 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2018, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the Shares as recorded in the register kept by the Company under section 336 of the SFO or as otherwise notified to the Company:

	Name of Shareholder	Capacity	Number of Shares interested	Approx. percentage of the issued share capital *(Note 1)*
1.	Brave Dragon Limited	Beneficial owner	141,794,482	10.51%
2.	Crossbrook Group Limited	Beneficial owner	270,411,036	20.04%
3.	Wing Tai Holdings Limited	Interest of controlled corporation	462,488,185 *(Notes 2(a) & 3)*	34.28%
4.	Butterfield Fiduciary Services (Guernsey) Limited (formerly Deutsche Bank International Trust Co. Limited)	Trustee	462,488,185 *(Notes 2(b) & 4)*	34.28%
5.	Butterfield Fiduciary Services (Cayman) Limited (formerly Deutsche Bank International Trust Co. (Cayman) Limited)	Trustee	462,488,185 *(Notes 2(b) & 4)*	34.28%
6.	Wing Tai Corporation Limited	Interest of controlled corporation	182,560,826 *(Note 5)*	13.53%
7.	Renowned Development Limited	Interest of controlled corporation	182,560,826 *(Notes 2(c) & 5)*	13.53%
8.	Wing Tai (Cheng) Holdings Limited	Interest of controlled corporation	199,884,783 *(Notes 2(c) & 6)*	14.82%
9.	Sun Hung Kai Properties Limited	Interest of controlled corporation	183,612,533 *(Note 7)*	13.61%
10.	HSBC Trustee (C.I.) Limited	Trustee	183,612,533 *(Notes 2(d) & 8)*	13.61%
11.	Gala Land Investment Co. Limited	Beneficial owner	101,579,467	7.53%
12.	Farnham Group Limited	Interest of controlled corporation	101,579,467 *(Notes 2(e) & 9)*	7.53%
13.	Chow Chung Kai	Beneficial owner, interest of spouse, controlled corporation and other	180,024,824 *(Notes 2(e) & 10)*	13.34%
14.	Chow Yu Yue Chen	Beneficial owner, interest of spouse and controlled corporation	150,812,777 *(Notes 2(e) & 11)*	11.18%

Notes:

1 The total number of issued Shares as at 31 December 2018 was 1,349,158,029.

2 The interests disclosed duplicated in the following manners and to the following extent:

(a) the interests of parties 1 and 2 were included in the interests of party 3.

(b) the interests of party 3 duplicated with the interests of parties 4 and 5 entirely.

(c) the interests of party 6 duplicated with the interests of party 7 entirely and were included in the interests of party 8.

(d) the interests of party 9 duplicated with the interests of party 10 entirely.

(e) the interests of party 11 duplicated with the interests of party 12 entirely and were included in the interests of parties 13 and 14.

3 Wing Tai Holdings Limited beneficially owned 89.4% of the issued share capital of Brave Dragon Limited, 100% of the issued share capital of Crossbrook Group Limited and 100% of the issued share capital of Wing Tai Retail Pte. Ltd. Wing Tai Retail Pte. Ltd. owned 50,282,667 Shares.

4 The Company was notified that Deutsche Bank International Trust Co. Limited changed its name to Butterfield Fiduciary Services (Guernsey) Limited ("Butterfield Guernsey") with effect from 3 April 2018. Butterfield Guernsey was the trustee of a family trust (of which Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis were beneficiaries) which held all units of a unit trust ("Unit Trust").

The Company was notified that Deutsche Bank International Trust Co. (Cayman) Limited changed its name to Butterfield Fiduciary Services (Cayman) Limited ("Butterfield Cayman") with effect from 6 April 2018. Butterfield Cayman was the trustee of the Unit Trust and was deemed to be interested in 462,488,185 Shares. (Such deemed interest arose by virtue of the fact that Butterfield Cayman was interested indirectly through subsidiaries in more than one-third of the issued share capital of Wing Tai Holdings Limited which held 462,488,185 Shares indirectly.)

5 Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited ("Bestime") and Pofung Investments Limited ("Pofung") and, therefore, by virtue of its corporate interest in Bestime and Pofung, Wing Tai Corporation Limited was deemed to be interested in 93,629,998 Shares and 88,930,828 Shares held by Bestime and Pofung respectively.

By virtue of the corporate interest of Renowned Development Limited in Wing Tai Corporation Limited, the former was deemed to be interested in the latter's interest in the Shares.

6 By virtue of the corporate interest of Wing Tai (Cheng) Holdings Limited in Renowned Development Limited and Broxbourne Assets Limited, Wing Tai (Cheng) Holdings Limited was deemed to be interested in the interest of Renowned Development Limited and Broxbourne Assets Limited in the Shares. Broxbourne Assets Limited beneficially owned 17,323,957 Shares.

7 Sun Hung Kai Properties Limited ("SHKP") beneficially owned 100% of the issued share capital of Wesmore Limited ("Wesmore"), Fourseas Investments Limited ("Fourseas"), Mondale Holdings Limited ("Mondale"), Victory Zone Holdings Limited ("Victory Zone") and Country World Limited ("Country World"). Wesmore was the beneficial owner of 111,928,210 Shares.

Fourseas beneficially owned 100% of the issued share capital of Soundworld Limited ("Soundworld"), Units Key Limited ("Units Key") and Triple Surge Limited ("Triple Surge"). Soundworld, Units Key and Triple Surge were the beneficial owners of 20,869,323, 5,673,333 and 37,680,000 Shares respectively.

Mondale beneficially owned 100% of the issued share capital of Junwall Holdings Ltd. ("Junwall"), which in turn beneficially owned 100% of the issued share capital of Techglory Ltd. ("Techglory"). Techglory was the beneficial owner of 192,000 Shares.

Victory Zone beneficially owned 100% of the issued share capital of Charmview International Ltd. ("Charmview"). Charmview was the beneficial owner of 7,141,600 Shares.

Country World beneficially owned 100% of the issued share capital of Erax Strong Development Ltd. ("Erax Strong"). Erax Strong was the beneficial owner of 128,067 Shares.

By virtue of the corporate interest of SHKP in the aforesaid companies, SHKP was deemed to be interested in the interests of Wesmore, Soundworld, Units Key, Triple Surge, Techglory, Charmview and Erax Strong in the Shares.

8 HSBC Trustee (C.I.) Limited, as the trustee of certain discretionary trusts, was deemed to be interested in more than one-third of the issued share capital of SHKP. By virtue of its deemed interest in SHKP, it was deemed to be interested in 183,612,533 Shares.

9 Farnham Group Limited ("Farnham") beneficially owned 100% of the issued share capital of Gala Land Investment Co. Limited ("Gala"), therefore, Farnham was deemed to be interested in the 101,579,467 Shares held by Gala by virtue of its corporate interest therein.

10 Chow Chung Kai and his wife, Chow Yu Yue Chen, held 48,532,744 and 700,566 Shares respectively.

The estate of the late Chou Wen Hsien, of which Chow Chung Kai was the executor, was interested in 29,212,047 Shares.

Chow Chung Kai beneficially owned 50% of the issued share capital of Farnham and, therefore, Chow Chung Kai was deemed to be interested in the 101,579,467 Shares held by Gala by virtue of his corporate interest therein.

The estate of the late Chou Wen Hsien, of which Chow Chung Kai was the executor, was interested in 50% of the issued share capital of Farnham.

11 Chow Yu Yue Chen and her husband, Chow Chung Kai, held 700,566 and 48,532,744 Shares respectively.

Chow Chung Kai beneficially owned 50% of the issued share capital of Farnham and, therefore, Chow Yu Yue Chen was deemed to be interested in the 101,579,467 Shares held by Gala by virtue of Chow Chung Kai's corporate interest therein.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any interests or short positions held by any substantial shareholder in the Shares or underlying Shares which are required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF ANY OTHER PERSONS

As at 31 December 2018, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the Shares or underlying Shares, which are required to be recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 23 April 2008, a contract entered into between the Company, Wing Tai Malaysia Sdn Bhd (formerly Wing Tai Malaysia Berhad) ("WTMSB") and Kualiti Gold Sdn Bhd (the "JV Company") relating to the formation of the JV Company for the purpose of acquiring a building in Kuala Lumpur (the "Development"), fitting out and operating the Development as serviced apartments.

Each of Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis has an indirect interest in the issued share capital of WTMSB and the JV Company.

WTMSB is a subsidiary of Wing Tai Holdings Limited ("WTHL"), the controlling shareholder of the Company (as defined in the Listing Rules).

Save as disclosed above, there was no transaction, arrangement or contract to which the Company or any of its subsidiaries was a party and in which a Director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of Directors in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Kwok Ping Luen, Raymond is a director of SHKP and Kwok Ho Lai, Edward is the alternate director to Kwok Ping Luen, Raymond of SHKP. Businesses of SHKP consist of property developments, investments and management, and hotel operation. Also, Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward are the beneficiaries of certain discretionary trusts which maintain certain interests in businesses consisting of property developments and investments, and hotel operation. Only in these respects they are regarded as interested in the relevant competing business with the Group.

Kwok Ping Luen, Raymond is also a director of Transport International Holdings Limited ("TIH"). Businesses of TIH consist of property holdings and developments. Only in these respects he is regarded as interested in the relevant competing business with the Group.

Other than certain interests in businesses maintained by the discretionary trusts, the aforesaid competing businesses, in which Kwok Ping Luen, Raymond and Kwok Ho Lai, Edward are regarded as interested, are managed by separate public listed companies with independent management and administration. In this respect, coupled with the diligence of the Company's independent non-executive directors and the Audit Committee of the Company, the Group is capable of carrying on its business independently of, and at arm's length from the said competing businesses.

CONNECTED TRANSACTIONS

Set out below is information in relation to connected transactions which were disclosed in the Company's announcements and are required under Chapter 14A of the Listing Rules to be included in this annual report:

1. Connected Transaction

The Company and CSI Properties Limited ("CSI") formed Southwater Investments Limited ("Southwater BVI") in October 2017 and held indirectly 65% and 35% of the issued share capital thereof respectively. Southwater Hong Kong Limited ("Southwater Hong Kong") is a wholly-owned subsidiary of Southwater BVI and the developer of the development site situated at Gage Street/Graham Street, Central, Hong Kong (the "Development").

A shareholders' agreement dated 7 September 2018 was entered into between (1) the Company and Wing Tai Properties (International) Limited ("Wing Tai Subsidiary"), (2) CSI and Master Reach Limited ("CSI Subsidiary") and (3) Southwater BVI and Southwater Hong Kong (the "Shareholders' Agreement").

On 26 September 2018, CSI Subsidiary served a notice for subscription of 30 new shares of Southwater BVI pursuant to the terms of the Shareholders' Agreement (the "Subscription"). Upon closing of the Subscription, CSI Subsidiary met its shortfall in 15% of the capital contribution (of about HK$940 million) to Southwater BVI in cash, and Southwater BVI applied the same towards the repayment of the capital contributions previously made by Wing Tai Subsidiary. CSI Subsidiary also made reimbursement (of about HK$41 million) to Wing Tai Subsidiary in respect of all the relevant costs and expenses incurred by the Group to the extent these costs and expenses had not been reimbursed by the aforesaid repayment to Wing Tai Subsidiary. Upon completion of the Subscription, Southwater BVI is held equally by Wing Tai Subsidiary and CSI Subsidiary.

Before completion of the Subscription, CSI Subsidiary was a connected person of the Company at the subsidiary level because of its 35% equity interest held in Southwater BVI. Accordingly, the transactions contemplated by the Shareholders' Agreement (including the Subscription) (the "Transactions") involving the CSI Subsidiary and its holding company, CSI, constituted connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the Transactions are set out in the Company's announcement dated 26 September 2018.

2. Continuing Connected Transactions

(i) The following agreements (the "2009 Operating Agreements") were entered into on 8 January 2009:

(a) an agreement between Lanson Place Hospitality Management (Singapore) Pte Limited ("LP Singapore") with Winshine Investment Pte Ltd ("Winshine") whereby LP Singapore has agreed to provide serviced apartment management services to Winshine;

(b) an agreement between Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia") with Seniharta Sdn Bhd ("Seniharta") whereby LP Malaysia has agreed to provide hotel apartment management services;

(c) an agreement between LP Malaysia with Seniharta whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Seniharta (such agreement was assigned by Seniharta (in exercise its right thereunder) to DNP Jaya Sdn Bhd ("DNP") subsequently); and

(d) an agreement between LP Malaysia with Kualiti Gold Sdn Bhd ("Kualiti Gold") whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Kualiti Gold.

The following agreements (the "2009 Licence Agreements") were entered into on 8 January 2009:

(a) an agreement between Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda") with Winshine whereby LP Bermuda has agreed to grant to Winshine the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Singapore;

(b) an agreement between LP Bermuda with Seniharta whereby LP Bermuda has agreed to grant to Seniharta the rights to use certain trademarks and tradenames in relation to a hotel apartment block located in Malaysia;

(c) an agreement between LP Bermuda with Seniharta whereby LP Bermuda has agreed to grant Seniharta the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Malaysia (such agreement was assigned by Seniharta (in exercise of its right thereunder) to DNP subsequently); and

(d) an agreement between LP Bermuda with Kualiti Gold whereby LP Bermuda has agreed to grant to Kualiti Gold the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Malaysia.

Each of the 2009 Operating Agreements and the 2009 Licence Agreements is for a term of 10 years.

Each of LP Singapore, LP Malaysia and LP Bermuda (collectively the "LP Group Companies") is a wholly-owned subsidiary of the Company.

Each of Winshine, Seniharta, DNP and Kualiti Gold (collectively the "WT Associates") is an associate (as defined in the Listing Rules) of WTHL.

As WTHL is a substantial and the controlling shareholder of the Company, each of the WT Associates is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions with the WT Associates contemplated under the 2009 Operating Agreements and the 2009 Licence Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The total fees of HK$4.0 million received by the LP Group Companies under the 2009 Operating Agreements and the 2009 Licence Agreements for the year ended 31 December 2018 is within the annual cap of HK$21.3 million for 2018 as set out in the Company's announcement dated 8 January 2009.

(ii) On 11 May 2017, Begin Land Limited ("Begin Land"), a subsidiary of the Company, accepted the offer made by Wing Tai Corporation Limited ("WTC") in relation to the leasing of the premises located at Suites 1502-5, 15th Floor, AXA Tower, Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong for a fixed term of three years commencing from 16 May 2017 and ending on 15 May 2020 (both days inclusive) (the "Offer").

As WTC is a substantial shareholder of the Company and hence a connected person of the Company, the transactions contemplated under the Offer constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The consideration received by Begin Land from WTC under the Offer for the year ended 31 December 2018 totaled HK$5.4 million which is within the 2018 annual cap of HK$6.1 million as set out in the Company's announcement dated 11 May 2017.

3. Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed and confirmed that the aforesaid continuing connected transactions for the year ended 31 December 2018 have been entered into:

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

(b) on normal commercial terms or better; and

(c) according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has reviewed these transactions, disclosed by the Group on pages 36 to 37 of this annual report, pursuant to Rule 14A.56 of the Listing Rules, and confirmed to the Board of Directors of the Company that nothing has come to their attention that causes them to believe: that they have not been approved by the Board of Directors of the Company; that they were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; that they were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and that they have exceeded the relevant annual caps.

MANAGEMENT CONTRACT

No contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales attributable to the Group's five largest customers was less than 30% of the Group's total sales for the year.

The percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 57% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier was approximately 36% of the Group's total purchases for the year.

Dr. Cheng Wai Chee, Christopher, the Chairman and an Executive Director, held 2,875,786 shares and options to subscribe for 1,403,922 shares in NWS Holdings Limited, the ultimate holding company of Hip Hing Construction Company Limited which was one of the five largest suppliers of the Group.

Save as disclosed above, none of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the share capital of any of the Group's five largest suppliers during the year.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

As at 31 December 2018, the aggregate amount due to the Group and guarantee for loan facilities given by the Company on behalf of Southwater Investments Limited and its subsidiary (the "Southwater Group") exceeded 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules.

Details of the amounts to the Southwater Group as at 31 December 2018 were as follows:

Name of Entity	Group's % of attributable equity interest therein	Amount of guarantee for loan facilities given by the Company *(Note 1)* HK$'M	Amount and loans due to the Group *(Note 2)* HK$'M	Total HK$'M
Southwater Group	50%	3,450	2,005	5,455

Notes:

1. All the loan facilities are secured by (among others) guarantees given by the Company and CSI on a several and proportional basis. All loan facilities carry interest at normal commercial rate agreed after negotiations on an arm's length basis with the lending bank concerned. The final maturity date of the loan facilities is the earlier of (a) 21 November 2023 or (b) 6 months after the issuance of the occupation permit in respect of the development situated at the land parcel known as Inland Lot No. 9065 and located at Gage Street/ Graham Street, Central, Hong Kong.

2. The amount due from the Southwater Group is (i) unsecured, (ii) carrying interest at rates agreed by the Group and CSI from time to time and (iii) without fixed repayment dates.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2018, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK$12,744 million in aggregate which exceeded 8% of the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

A combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31 December 2018 are presented below:

	Combined balance sheet HK$'M	Group's attributable interest HK$'M
Non-current assets	8,660.3	3,429.3
Current assets	19,495.5	9,175.6
Current liabilities	(4,067.6)	(1,880.8)
Non-current liabilities	(10,935.5)	(4,678.6)
Amounts and loans due from shareholders	3,476.8	559.9
Amounts and loans due to shareholders	(10,143.2)	(4,668.7)
Net assets	6,486.3	1,936.7

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

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 9 of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 27 March 2019

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with regulatory requirements, including the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") during the financial year ended 31 December 2018.

CODES FOR DEALING IN THE COMPANY'S SECURITIES

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

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2018, and received confirmations from all the directors that they had fully complied therewith throughout the year.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the securities of the Company, on no less exacting terms than the Model Code.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive directors (namely Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward, Cheng Man Piu, Francis, Chow Wai Wai, John and Ng Kar Wai, Kenneth), four non-executive directors (namely Kwok Ping Luen, Raymond (Kwok Ho Lai, Edward as his alternate), Hong Pak Cheung, William, Ng Tak Wai, Frederick and Chen Chou Mei Mei, Vivien) and five independent non-executive directors (namely Simon Murray, Yeung Kit Shing, Jackson, Haider Hatam Tyebjee Barma, Cheng Hoi Chuen, Vincent and Lam Kin Fung, Jeffrey). Biographies of all the directors are set out on pages 20 to 23 of this annual report.

Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis are brothers. Chow Wai Wai, John is the cousin of Chen Chou Mei Mei, Vivien. Kwok Ping Luen, Raymond is the father of Kwok Ho Lai, Edward. Save as disclosed above, there are no financial, business, family or other material/relevant relationships among members of the Board.

The Company has arranged Directors' and Officers' liability Insurance for the directors and officers of the Company.

Chairman and Chief Executive

Cheng Wai Chee, Christopher is the Chairman and Cheng Wai Sun, Edward is the Deputy Chairman and Chief Executive. While the Chairman of the Board is responsible for providing leadership for the Board, ensuring that all directors are properly briefed on issues arising at Board meetings and receive complete, reliable and timely information, the Chief Executive is responsible for the day-to-day management of the business of the Company and its subsidiaries (the "Group").

Retirement by Rotation and Specific Term of Office

The non-executive directors (including independent non-executive directors) were appointed for a fixed term of three years and all directors of the Company are subject to retirement by rotation at the annual general meetings of the Company in accordance with the Bye-laws of the Company or code provision A.4.2 of the CG Code.

Independent Non-Executive Directors

The Company has received annual confirmations from all independent non-executive directors that, save as disclosed in this annual report, they did not have any business or financial interest with the Group and were independent as at 31 December 2018 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors of the Company are independent.

Functions and Responsibilities of the Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Directors of the Company are collectively and individually responsible to the shareholders for the manner in which the affairs of the Group are managed and for promoting the success of the Group by directing and supervising its affairs.

The functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management are as follows:

(i) the Board shall approve the yearly budgets of the Group;

(ii) the Board shall monitor the operating and financial performance of the Group;

(iii) the Board shall oversee the processes for evaluating the adequacy of financial reporting and compliance;

(iv) the Board shall set the Group's strategy and risk appetite by evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives;

(v) the Board shall establish and maintain appropriate and effective risk management and internal control systems;

(vi) the Board shall oversee the management in the design, implementation and monitoring of the risk management and internal systems on an ongoing basis;

(vii) the Board shall assume responsibility for corporate governance; and

(viii) the day-to-day operations of the Group is delegated to the management led by the Chief Executive. Matters reserved for the Board are those affecting the Company's overall strategic policies, finances and shareholders. These include: financial statements, dividend policy, significant changes in accounting policy, the annual operating budgets, material contracts, major financing arrangements, major investments, risk management strategy and policies required under the Listing Rules.

Four Board meetings had been held during the year. The attendance record of each member at the Board and general meetings is set out in the table under the section headed "Attendance at Meetings" of this report.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each newly appointed director receives a comprehensive induction package covering policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The directors are briefed, or provided with written materials, on the amendments to, or updates on, the relevant laws, rules and regulations. The directors are also provided with commentary on the Group's business, operations and financial matters on a monthly basis. In addition, the Company has been encouraging the directors and senior executives to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

During the year under review, the directors participated in the following trainings and each director provided a record of training to the Company.

Directors	**Types of Training**
Executive Directors	
Cheng Wai Chee, Christopher	A, B
Cheng Wai Sun, Edward	A, B
Cheng Man Piu, Francis	B
Chow Wai Wai, John	A, B
Ng Kar Wai, Kenneth	B, C
Non-Executive Directors	
Kwok Ping Luen, Raymond	A, B, C
Kwok Ho Lai, Edward	
(alternate to Kwok Ping Luen, Raymond)	A, B
Hong Pak Cheung, William	A, B
Chen Chou Mei Mei, Vivien	B
Ng Tak Wai, Frederick	B
Independent Non-Executive Directors	
Simon Murray	A, B, C
Yeung Kit Shing, Jackson	A, B
Haider Hatam Tyebjee Barma	B
Cheng Hoi Chuen, Vincent	B
Lam Kin Fung, Jeffrey *(appointed on 6 June 2018)*	A, B
Fang Hung, Kenneth *(retired on 6 June 2018)*	B

A: attending training sessions/seminars/briefings/forums/workshops/conferences

B: reading materials/viewing CD in relation to regulatory updates, the duties and responsibility of the directors and the business of the Group

C: giving talks/briefings

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policies for the corporate governance of the Company and performing the corporate governance duties as below:

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

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

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

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

(v) to review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

The following works on corporate governance functions were performed by the Board during 2018:

(a) strategy discussion by the Board on the strategy direction of the Group;

(b) review and adoption of the Enterprise Risk Management Framework;

(c) approval of the 2017 Corporate Governance Report and 2017 Environmental, Social and Governance Report;

(d) approval of the amended measurable objectives set for implementing the Board Diversity Policy;

(e) approval of the Dividend Policy; and

(f) approval of the revised terms of reference of the Audit Committee and Remuneration Committee.

REMUNERATION COMMITTEE

The Remuneration Committee was formed on 12 July 2005. The Remuneration Committee's terms of reference specify its duties and functions and that the committee must comprise at least three members and the majority of whom are independent non-executive directors. The terms of reference are available on the Company's website under the Corporate Governance Section.

During the year and up to the date of this report, the members of the Remuneration Committee are:

Simon Murray	*(Committee Chairman)*
Cheng Wai Chee, Christopher	
Yeung Kit Shing, Jackson	
Cheng Wai Sun, Edward	*(ceased to be a member on 6 June 2018)*
Fang Hung, Kenneth	*(ceased to be a member on 6 June 2018)*

The Remuneration Committee met once in 2018. The attendance record of each member at the Remuneration Committee meeting is set out in the table under the section headed "Attendance at Meetings" of this report.

The works performed by the Remuneration Committee during 2018 include the following:

(a) review and approval of the remuneration packages of certain executive directors including bonuses for the year ended 31 December 2017 and the annual base salaries for the year ended 31 December 2018;

(b) review and approval of the grants of share options to the senior management pool and management staff pool under the Share Option Plan;

(c) review and approval of the proposal of directors' fees for the year ended 31 December 2018, with a recommendation to the shareholders for approval; and

(d) review of the revised terms of reference of the Remuneration Committee.

Remuneration Policy for Executive Directors and Senior Management

The principal elements of the executive directors' and senior management's remuneration packages include basic salaries and discretionary bonus which includes cash and/or share options. The remuneration packages of the executive directors and senior management will be proposed jointly by the Chairman and the Chief Executive annually for the review and approval by the Remuneration Committee based on the following factors:

(i) the executive director's and senior management's individual responsibilities;

(ii) the executive director's and senior management's individual performance;

(iii) the performance of the business unit(s) headed by the executive director or senior management concerned; and

(iv) the performance of the Group as a whole.

Remuneration Policy for Non-Executive Directors

The non-executive directors' remuneration, comprising directors' fee, is subject to assessment on a regular basis and recommended by the Remuneration Committee for shareholders' approval at the annual general meetings.

Directors' Remuneration

The directors' remuneration is set out in note 10 to the financial statements on pages 109 to 111 of this annual report.

Senior Management's Remuneration

The emoluments of certain senior management whose profiles are included in Senior Management Profile section of this annual report fell within the following bands:

	Number of individuals 2018
Emoluments bands	
HK$3,000,001 – HK$4,000,000	2
HK$4,000,001 – HK$5,000,000	0
HK$5,000,001 and above	1
	3

NOMINATION COMMITTEE

The Nomination Committee was established on 1 February 2013. The terms of reference of the Nomination Committee explaining its role and the authority delegated to it by the Board are available on the Company's website under the Corporate Governance Section. According to its terms of reference, the Nomination Committee shall consist of not less than three members and the majority of them shall be independent non-executive directors. The following directors have been the members of the Nomination Committee since its establishment:

Cheng Hoi Chuen, Vincent *(Committee Chairman)*
Cheng Wai Chee, Christopher
Cheng Wai Sun, Edward
Yeung Kit Shing, Jackson
Haider Hatam Tyebjee Barma

The Nomination Committee met once in 2018. The attendance record of each member at the Nomination Committee meeting is set out in the table under the section headed "Attendance at Meetings" of this report.

The works performed by the Nomination Committee during 2018 include the following:

(a) review of the structure, size and composition of the Board;

(b) review of the independence of the independent non-executive directors;

(c) making recommendations on the re-election of directors at the 2018 annual general meeting;

(d) review of the measurable objectives set for implementing the Board Diversity Policy and approval of the disclosure of the review in the Corporate Governance Report;

(e) making recommendation on the proposed appointment of Lam Kin Fung, Jeffrey as an independent non-executive director in accordance with the Board Diversity Policy and Board Nomination Policy; and

(f) review of and making recommendation on the amended measurable objectives set for implementing the Board Diversity Policy.

Board Nomination Policy

A summary of the Board Nomination Policy adopted on 29 August 2013 and amended on 27 March 2019 by the Board is shown below.

(A) Appointment of Directors

1. Selection Criteria

When considering matters related to nomination, the members of the Nomination Committee should pay due regard to the following matters:

a) the skills, knowledge and experience required to discharge competently the Board's duties having regard to the Company's performance, financial position and strategic direction;

b) the skills, knowledge and experience represented on the Board and whether these skills, knowledge and experience are sufficient to meet the needs of the Company;

c) succession planning issues or strategies for the ongoing effective performance of the Board as a whole;

d) diversity of the Board; and

e) compliance with the Company's bye-laws, applicable laws, rules and regulations from time to time.

2. Nomination Procedures

In identifying and recommending candidate(s) for the Board's consideration:

a) the Nomination Committee is to identify the areas of skills, experience, profession and personal attributes that the Board expects and requires from a new Board member who will assist the Board in carrying out its duties to achieve the corporate objectives;

b) the Nomination Committee is to identify potential candidates, possibly with the assistance from external agencies and/or advisors;

c) the Company Secretary is to provide the Nomination Committee with (i) the biographical details of each of the candidates; (ii) details of each of the candidates' relationship with the Company and/or directors of the Company (if any); (iii) skills and experience of each of the candidates; (iv) other directorships held by each of the candidates; (v) other positions held by each of the candidates which involve significant time commitment; and (vi) any other particulars required by law for any candidate for appointment to the Board;

d) the Nomination Committee is to evaluate the character, skills, knowledge, experience and other relevant information of a candidate and to ascertain by means of interviews or other ways as to whether he/she is fit and proper for becoming a member of the Board with reference to the criteria set out in the Listing Rules;

e) in case the candidate is proposed to be appointed as an independent non-executive director of the Company (the "INED Candidate"), the Nomination Committee is (i) to assess the independence of the INED Candidate with reference to the criteria set out in Rule 3.13 of the Listing Rules, and (ii) to consider whether the INED Candidate will be able to devote sufficient time to the Board in the event that the INED Candidate will be holding seventh (or more) listed company directorship;

f) the Nomination Committee is to nominate one or more qualified candidates to the Board for consideration;

g) the Board is to agree on a preferred candidate;

h) the Chairman of the Board is to approach the preferred candidate to canvass interest, availability and terms of appointment; and

i) the Chairman of the Board, in consultation with the chairmen of the Remuneration Committee and the Nomination Committee as appropriate and required, is to finalise a letter of appointment setting out the key terms and conditions of the appointment for the Board's approval.

(B) Re-appointment of Directors

At each annual general meeting of the Company, certain directors of the Company will be subject to retirement (by rotation or otherwise) and/or re-election (the “Retiring Directors”) in accordance with the requirements of the Company’s bye-laws and Corporate Governance Code of the Listing Rules.

The Nomination Committee shall consider the suitability of each Retiring Director for re-election in the light of the Board Nomination Policy and the Board Diversity Policy of the Company and make its recommendations therefor to the Board for consideration provided that, for each of the Retiring Director who is an independent non-executive director, the Nomination Committee shall also, assess his/her independence before making such recommendation(s).

The Board shall consider the suitability of each Retiring Director for re-election in the light of the Nomination Committee’s recommendation, the Board Nomination Policy and the Board Diversity Policy and make its recommendations therefor to the shareholders for consideration and approval.

Board Diversity Policy

A summary of the Board Diversity Policy adopted by the Board on 29 August 2013 is shown below.

The Company recognizes that a diverse Board will enhance the performance of the Company and that an increasing diversity at the Board level is inductive to the attainment of the Company’s strategic objectives and the Company’s sustainable development. Hence the purpose of the Board Diversity Policy aims to achieve diversity on the Board (including but not limited to genders, age, cultural and educational backgrounds, ethnicities, professional experience, skills, knowledge and length of service).

Measurable Objectives

The Nomination Committee agreed the measurable objectives shown below for implementing the Board Diversity Policy.

<u>Gender</u>

Striving for gender diversity and gender neutrality with the objective of increasing female representation on the Board, subject to availability and identification of candidates with appropriate skills and experience.

<u>Age</u>

Striving for age diversity and age neutrality with the objective of increasing representation of the younger age group on the Board, subject to availability and identification of candidates with appropriate skills and experience.

<u>Independence</u>

(i) Maintaining a balanced composition of executive, non-executive and independent non-executive directors (“INED”).

(ii) Complying with the relevant requirements of the Listing Rules.

<u>Professional Qualifications</u>

(i) Maintaining the Board with Directors with balanced professional qualifications.

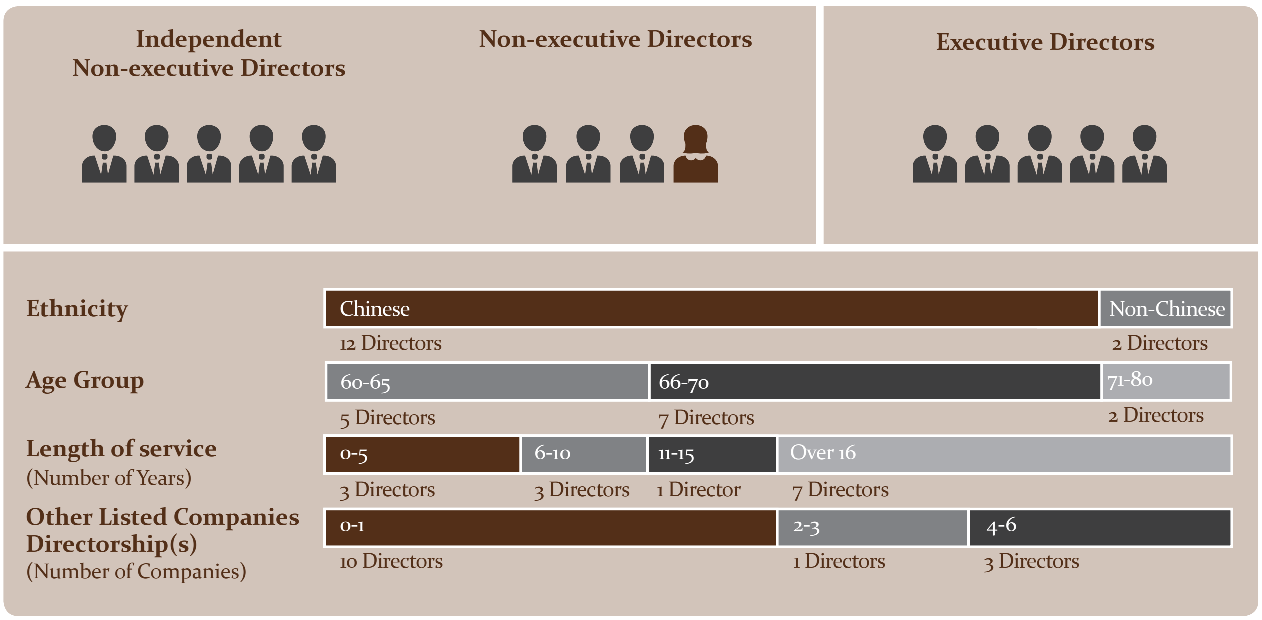
(ii) Complying with the Listing Rules requirements that at least one INED must has professional qualifications or accounting or related financial management expertise as provided under Rule 3.19(1) of the Listing Rules.

<u>Area of Experience</u>

Maintaining the Board with Directors with balanced experiences from various industries in order to widen the views of the Board and assist in setting up and developing the strategies of the Group.

All the measurable objectives had been taken into account when the Nomination Committee considered and recommended to the Board on the appointment of Lam Kin Fung, Jeffrey as an independent non-executive director on 6 June 2018. The Nomination Committee has reviewed and will review the measureable objectives concerning independence, professional qualifications and area of experience of Directors on an annual basis in order to assess the composition of the Board.

It is considered that the Board is sufficiently diversified. As at the date of this report, the diversity of the Board is summarized as follows:



For more details, please refer to the Directors and Senior Management Profile on pages 20 to 23 of this annual report.

AUDIT COMMITTEE

The Audit Committee was formed on 9 March 1999. The terms of reference of the Audit Committee specify its duties and functions and that it must comprise at least three members and the majority of whom are independent non-executive directors. Its terms of reference are available on the Company's website under the Corporate Governance Section. During the year and up to the date of this report, the members of the Audit Committee are:

Yeung Kit Shing, Jackson	*(Committee Chairman)*
Hong Pak Cheung, William	
Haider Hatam Tyebjee Barma	*(acted as a member with effect from 6 June 2018)*
Fang Hung, Kenneth	*(ceased to be a member with effect from 6 June 2018)*

The Audit Committee met three times in 2018. The attendance record of each member at the Audit Committee meetings is set out in the table under the section headed "Attendance at Meetings" of this report.

The works performed by the Audit Committee during 2018 include the following:

(a) review of the external auditor's audit plan for the year ended 31 December 2018;

(b) review and adoption of the 2019 internal audit plan;

(c) review of the 2018 work progress reports and the works performed by the internal audit team in 2018;

(d) review of the annual report and results announcement for the year ended 31 December 2017, with a recommendation to the Board for consideration;

(e) review of the external auditor's report on the audit of the financial statements for the year ended 31 December 2017;

(f) review of the interim report and interim results announcement for the six months ended 30 June 2018, with a recommendation to the Board for consideration;

(g) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2018;

(h) approval of the 2019 annual budget for audit and non-audit services;

(i) meeting with external auditors without executive directors' presence;

(j) review of the Enterprise Risk Management Framework with a recommendation to the Board for adoption;

(k) oversight of the risk management and internal control systems;

(l) review of the effectiveness of the risk management and internal control systems; and

(m) review of the revised terms of reference of the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility of the Board

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. The Audit Committee is tasked to assist the Board in doing so. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Group's risk management and internal control systems are in place and were functioning effectively and adequately during the year under review.

Risk Management

The Group adopts an integrated bottom-up and top-down risk review process to enable:-

(1) comprehensive identification and prioritisation of all material risks throughout the Group in the light of the Group's strategic objectives;

(2) escalation of the material risks to the right managerial levels;

(3) effective risk dialogues among the management teams; and

(4) proper oversight of risk mitigation efforts.

Management's regular meetings are held to identify major and significant risks relating to operations, finance and compliance. Management carries out risk monitoring assessment regularly for the major and significant risks and develops effective control activities to mitigate the risks. The Group's risk management system is closely linked to its internal control system. Key controls associated with the key risks of the Group are identified and tested in order to assess their effectiveness.

Internal Controls

The Group's internal audit department is responsible for providing independent assurance that the Group's risk management and internal control processes are operating effectively. The head of the internal audit department reports to the Audit Committee on a regular basis. The Audit Committee reviews and approves the annual internal audit plan which is practically linked to the Group's significant areas of operations. The audit plan is prepared under a risk based approach and covers the Group's significant area of operations, which are reviewed on an annual basis.

The scope of the works of the Group's internal audit department covers all material controls including financial, operational and compliance controls as well as risk management policies and procedures. Major operational, financial, compliance and risk management controls of the Group are continuously reviewed aiming to cover all major business units and operations of the Group on a rotational basis. Internal audit findings and recommendations are presented at the Audit Committee meetings. The implementation of the agreed recommendations is to be followed up on a regular basis.

Policies and procedures have been established to safeguard the Group's assets against any possible unauthorized use or disposition and to ensure the proper maintenance of accounting records for the provision of reliable financial information for internal use and for publication in compliance with all applicable laws, rules and regulations.

The Company regulates the handling and dissemination of inside information according to the Inside Information Policy adopted by the Board on 22 March 2013. This policy provides that inside information is kept confidential until the disclosure thereof is made and that the dissemination of such information shall be made efficiently and consistently.

A Whistleblowing Policy was formulated on 28 March 2012 to encourage employees to raise concerns in confidence about misconducts, malpractice or impropriety relating to the Group. The purpose of formulating this policy is to increase the awareness of maintaining internal corporate justice and regard this as a kind of internal control mechanism. In accordance with this policy, employees are provided with reporting channels and guidance on whistleblowing. During the year, there were no reports received from employees under this policy.

Assessment and review by the Board

The Board assesses the effectiveness of the risk management and internal control systems regularly with the assistance of the Audit Committee and in the light of the reviews performed by the senior management as well as both of the internal and external auditors. The risk management and internal control systems are designed to identify, evaluate and manage significant risks faced by the Group on an on-going basis.

For the financial year ended 31 December 2018, the Board with the assistance of the Audit Committee conducted a review of the effectiveness of the Group's risk management and internal control systems in the light of the reports of the Group's internal audit department and the confirmation from the management on the effectiveness of these systems of the Group. The Board considers that these systems are operating effectively and adequately in all material aspects.

AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided by auditors of the Group for the financial year ended 31 December 2018 are HK$4,641,000 (2017: HK$4,766,000) and HK$892,000 (2017: HK$2,007,000) respectively.

The remuneration in respect of significant non-audit services in 2018 includes the following:

Nature of services	Fee paid HK$
Tax services	592,000
Special projects	300,000
Total	892,000

ATTENDANCE AT MEETINGS

The attendance record of individual members at the Board and Committees meetings and general meeting in 2018 are detailed in the following table:

	Meetings attended/Eligible to attend				
	General Meeting	Board	Remuneration Committee	Audit Committee	Nomination Committee
Executive directors					
Cheng Wai Chee, Christopher	1/1	4/4	1/1	N/A	1/1
Cheng Wai Sun, Edward	1/1	4/4	1/1	N/A	1/1
Cheng Man Piu, Francis	1/1	4/4	N/A	N/A	N/A
Chow Wai Wai, John	1/1	4/4	N/A	N/A	N/A
Ng Kar Wai, Kenneth	1/1	4/4	N/A	N/A	N/A
Non-executive directors					
Kwok Ping Luen, Raymond	0/1	0/4	N/A	N/A	N/A
(attended by his alternate, Kwok Ho Lai, Edward)	0/1	2/4	N/A	N/A	N/A
Hong Pak Cheung, William	1/1	4/4	N/A	3/3	N/A
Ng Tak Wai, Frederick	1/1	4/4	N/A	N/A	N/A
Chen Chou Mei Mei, Vivien	1/1	4/4	N/A	N/A	N/A
Independent non-executive directors					
Simon Murray	1/1	3/4	1/1	N/A	N/A
Yeung Kit Shing, Jackson	1/1	4/4	1/1	3/3	1/1
Haider Hatam Tyebjee Barma△	1/1	4/4	N/A	2/2	1/1
Cheng Hoi Chuen, Vincent	1/1	4/4	N/A	N/A	1/1
Lam Kin Fung, Jeffrey#	N/A	3/3	N/A	N/A	N/A
Fang Hung, Kenneth*	1/1	1/1	1/1	1/1	N/A

* Fang Hung, Kenneth retired at the conclusion of the annual general meeting held on 6 June 2018 (the "AGM")

\# Lam Kin Fung, Jeffrey was appointed after the conclusion of the AGM

△ Haider Hatam Tyebjee Barma was appointed as a member of the Audit Committee after the conclusion of the AGM

Apart from regular Board meetings, the Chairman also held a meeting with the non-executive directors and the independent non-executive directors without the presence of the other executive directors to discuss the business of the Company during the year.

DIVIDEND POLICY

On 10 December 2018, the Board adopted a dividend policy to make sustainable returns to shareholders of the Company by, among others, dividend payments (whether in cash with or without an option to receive scrip or vice versa).

Before determining any payment of dividend or, as the case may be, making recommendation of any dividend payment for the approval of the shareholders of the Company, the Board will review the financial performance, business environment, investment needs, liquidity position and forecast cash flow positions of the Group as well as the dividend yields of listed shares of the Company's peer group. It is the Company's policy to link dividend payments with the above factors. Dividend pay-out ratio will therefore vary from year to year.

The Company will normally pay an interim dividend and a year-end dividend in each financial year. The Board determines the interim dividend and recommends the year-end dividend for the approval of the shareholders of the Company.

The Board shall review this policy as the circumstances so warrant.

COMPANY SECRETARY

Chung Siu Wah, Henry, the Company Secretary is responsible for facilitating the Board process, as well as communications among Board members, communications with shareholders and management. During the year, Chung Siu Wah, Henry undertook more than 15 hours of professional training to update his skills and knowledge.

FINANCIAL REPORTING

The directors of the Company acknowledged that they are responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies have been selected and applied consistently. The statement of the auditor of the Group relating to their reporting responsibilities on the financial statements of the Group and the Company is set out in the Independent Auditor's Report on pages 58 to 61 of this annual report.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum of Association and Bye-laws during the financial year 2018. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company under the Corporate Governance Section and the Stock Exchange.

CORPORATE COMMUNICATION

On 28 March 2012, the Board adopted a shareholders' Communication Policy reflecting mostly the current practices of the Company for communications with its shareholders. Such policy aims at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. This policy will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The annual general meeting provides a forum for the shareholders to exchange views with the Board. The Chairman of the Board, Chairman of Audit Committee, Chairman of the Remuneration Committee and Chairman of the Nomination Committee will be available to answer the shareholders' questions at the meeting.

An explanation of the detailed procedures of conducting a poll will be provided to the shareholders at the commencement of the annual general meeting, to ensure that the shareholders attending such meeting are familiar with such procedures.

All the publications of the Company, including annual reports, interim reports, circulars, notices of general meetings, results of the poll of general meetings are available on the Stock Exchange's website at www.hkexnews.hk.

The Company's website at www.wingtaiproperties.com offers timely access to investors regarding the Company's financial, corporate and other information.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act"), registered shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "SGM Requisitionists") may deposit a written request to convene a SGM at the registered office of the Company (the "Registered Office"), which is presently situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The SGM Requisitionists must state in their request(s) the objects of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars stated in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and a SGM will not be convened as requested.

The SGM Requisitionists, or any of them holding more than one-half of the total voting rights held by all of them, may themselves convene a SGM if the Board does not proceed duly to convene a SGM within twenty-one (21) days of the deposit of the SGM Requisitionists' request, provided that any SGM so convened is held within three (3) months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

Pursuant to the Companies Act, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionists"), or not less than 100 of such registered shareholders, may request the Company in writing to (a) give to the shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the shareholders entitled to receive notice of the next general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and such requisition must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for Shareholders to Propose a Person for Election as a Director

The procedures for proposing a person for election as a director are at the Company's website at www.wingtaiproperties.com under the Corporate Governance Section.

Procedures for Directing Shareholders' Enquiries to the Board

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

27th Floor, AIA Kowloon Tower,
Landmark East, 100 How Ming Street,
Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2351 8404

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

羅兵咸永道

TO THE SHAREHOLDERS OF WING TAI PROPERTIES LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Wing Tai Properties Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 153, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is related to valuation of investment properties.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 5(a) and 16 to the consolidated financial statements The Group's investment property portfolio is mainly comprised of commercial, industrial and serviced apartments and others in Hong Kong, the People's Republic of China and the United Kingdom. As at 31 December 2018, the Group's investment properties were stated at fair value of HK$20,459.4M, with a revaluation gain of HK$348.4M recorded in the consolidated income statement. Independent external valuers have been engaged to perform valuation of the investment properties. The valuation of these investment properties requires significant judgement and estimates by management and the valuers. It is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. The fair values were mainly derived using the income capitalisation method. In determining a property's valuation, valuers took into account property-specific information such as current tenancy agreements and rental income. They applied assumptions for capitalisation rates and estimated market rent which were influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.	Our procedures in relation to management's valuation of investment properties include: – Evaluating the independent professional valuer's competence, capabilities and objectivity; – Discussing the valuations and the key assumptions with the valuers; – Assessing the methodologies used and the appropriateness of the key assumptions, including: (a) capitalisation rates, by comparing to an estimated range of expected yields, determined via reference to published market rental yield; and (b) estimated market rent by comparing to the recent leasing transactions of comparable properties. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, requested for further evidences to support the assumptions used; and – Checking, on a sample basis, over the property information, such as rental income schedule covering the rental information and lease period, used by the valuers in the valuation, to the underlying lease agreements in order to satisfy ourselves of the accuracy and reasonableness of the property information used by the valuers. We found the assumptions made by management in relation to the valuation of investment properties were supported by 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 THE 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 judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

We communicate with 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 Cheng Kam Fung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'M	2017 HK$'M
Revenue	6	884.7	1,064.3
Cost of sales		(175.3)	(236.5)
Gross profit		709.4	827.8
Other gains, net	8	14.0	13.6
Selling and distribution costs		(33.9)	(45.8)
Administrative expenses		(312.8)	(310.9)
Change in fair value of			
– investment properties	16	348.4	834.1
– financial instruments	15	(94.9)	48.4
		253.5	882.5
Gains on disposal of investment properties		-	661.2
Gain on disposal of subsidiaries	27	693.3	3.1
Profit from operations	9	1,323.5	2,031.5
Finance costs	11	(58.4)	(73.1)
Finance income	11	46.4	34.2
Share of results of joint ventures	18	115.6	101.5
Share of results of associates	19(b)	5.2	6.9
Profit before taxation		1,432.3	2,101.0
Taxation	12	(52.8)	(98.6)
Profit for the year		1,379.5	2,002.4
Profit for the year attributable to:			
Shareholders of the Company		1,312.4	1,981.9
Holders of perpetual capital securities		65.7	18.4
Non-controlling interests		1.4	2.1
		1,379.5	2,002.4
Earnings per share attributable to shareholders of the Company	13		
– Basic		HK$0.97	HK$1.47
– Diluted		HK$0.97	HK$1.47

The notes on pages 70 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK$'M	2017 HK$'M
Profit for the year	1,379.5	2,002.4
Other comprehensive income		
Items that have been/may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(43.6)	70.6
Exchange loss realised to profit or loss upon disposal of a subsidiary	–	2.4
Net fair value gain arising from revaluation of available-for-sale financial assets	–	157.3
Net gain/(loss) on net investment hedge		
– Fair value gains/(losses)	5.4	(4.2)
– Realised upon settlement	0.5	–
Net gain on cash flow hedge		
– Fair value gains	7.0	23.7
Share of other comprehensive income of a joint venture	2.0	1.9
Other comprehensive income for the year, net of tax	(28.7)	251.7
Total comprehensive income for the year	1,350.8	2,254.1
Total comprehensive income for the year attributable to:		
Shareholders of the Company	1,283.7	2,233.6
Holders of perpetual capital securities	65.7	18.4
Non-controlling interests	1.4	2.1
Total comprehensive income for the year	1,350.8	2,254.1

The notes on pages 70 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2018

	Note	2018 HK$'M	2017 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	16	20,459.4	19,317.1
Other properties, plant and equipment	17	74.1	78.7
Investments in joint ventures	18	1,920.7	661.7
Loans to joint ventures	18	3,835.7	6,070.7
Investments in associates	19	16.0	14.7
Loans to associates	19	22.4	14.7
Financial investments at amortised cost	20	335.5	–
Financial investments at fair value through profit or loss	22	553.8	–
Available-for-sale financial assets	21	–	529.9
Deferred tax assets	30	20.9	13.4
Derivative financial instruments	25	49.5	49.3
		27,288.0	26,750.2
Current assets			
Properties for sale	23	4,006.4	3,856.2
Trade and other receivables, deposits and prepayments	24	918.3	2,102.7
Financial investments at amortised cost	20	248.3	–
Financial investments at fair value through profit or loss	22	84.7	–
Derivative financial instruments	25	5.3	0.5
Tax recoverable		3.1	0.6
Bank balances and cash	26	2,873.6	654.2
		8,139.7	6,614.2
Assets classified as held for sale	27	–	2,131.7
		8,139.7	8,745.9
Current liabilities			
Trade and other payables and accruals	28	1,154.6	912.3
Derivative financial instruments	25	21.8	25.2
Tax payable		3.7	43.3
Bank and other borrowings	29	1,295.3	1,401.5
		2,475.4	2,382.3
Liabilities directly associated with assets classified as held for sale	27	–	39.3
		2,475.4	2,421.6

	Note	2018 HK$'M	2017 HK$'M
Non-current liabilities			
Bank and other borrowings	29	3,739.2	4,782.6
Other long-term liability	32	48.7	57.7
Derivative financial instruments	25	107.2	101.4
Deferred tax liabilities	30	335.3	322.9
		4,230.4	5,264.6
NET ASSETS		28,721.9	27,809.9
EQUITY			
Shareholders' funds			
Share capital	33	674.6	673.1
Reserves	36	26,526.7	25,616.8
		27,201.3	26,289.9
Perpetual capital securities	34	1,513.9	1,514.5
Non-controlling interests		6.7	5.5
TOTAL EQUITY		28,721.9	27,809.9

The consolidated financial statements on pages 62 to 153 were approved and authorised for issue by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Cheng Wai Sun, Edward
DIRECTOR

Ng Kar Wai, Kenneth
DIRECTOR

The notes on pages 70 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to shareholders of the Company												
	Share capital HK$'M	Share premium HK$'M	Hedging reserve HK$'M	Investment revaluation reserve HK$'M	Employee share-based compensation reserve HK$'M	Other property revaluation reserve HK$'M	Translation reserve HK$'M	Contributed surplus HK$'M	Retained profits HK$'M	Total HK$'M	Perpetual capital securities HK$'M	Non-controlling interests HK$'M	Total equity HK$'M
At 1 January 2018	673.1	3,310.3	(14.2)	310.3	18.2	51.6	(64.3)	751.0	21,253.9	26,289.9	1,514.5	5.5	27,809.9
Changes in accounting policies													
– adoption of HKFRS 9 (Note 3(a))	–	–	–	(310.3)	–	–	–	–	310.3	–	–	–	–
Restated balance as at 1 January 2018	673.1	3,310.3	(14.2)	–	18.2	51.6	(64.3)	751.0	21,564.2	26,289.9	1,514.5	5.5	27,809.9
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	1,312.4	1,312.4	65.7	1.4	1,379.5
Other comprehensive income													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(43.6)	–	–	(43.6)	–	–	(43.6)
Net gain on net investment hedge	–	–	5.9	–	–	–	–	–	–	5.9	–	–	5.9
Net gain on cash flow hedge	–	–	7.0	–	–	–	–	–	–	7.0	–	–	7.0
Share of other comprehensive income of a joint venture	–	–	2.0	–	–	–	–	–	–	2.0	–	–	2.0
Total comprehensive income	–	–	14.9	–	–	–	(43.6)	–	1,312.4	1,283.7	65.7	1.4	1,350.8
Transactions with owners													
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	12.2	–	–	–	–	12.2	–	–	12.2
Incentive shares exercised	0.7	5.3	–	–	(6.0)	–	–	–	–	–	–	–	–
Share options exercised	0.8	4.2	–	–	(5.0)	–	–	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(0.2)	(0.2)
2017 final dividend paid	–	–	–	–	–	–	–	–	(303.6)	(303.6)	–	–	(303.6)
2018 interim dividend paid	–	–	–	–	–	–	–	–	(80.9)	(80.9)	–	–	(80.9)
Distribution paid on perpetual capital securities	–	–	–	–	–	–	–	–	–	–	(66.3)	–	(66.3)
Total transactions with owners	1.5	9.5	–	–	1.2	–	–	–	(384.5)	(372.3)	(66.3)	(0.2)	(438.8)
At 31 December 2018	674.6	3,319.8	0.7	–	19.4	51.6	(107.9)	751.0	22,492.1	27,201.3	1,513.9	6.7	28,721.9

	Attributable to shareholders of the Company												
	Share capital HK$'M	**Share premium HK$'M**	**Hedging reserve HK$'M**	**Investment revaluation reserve HK$'M**	**Employee share-based compensation reserve HK$'M**	**Other property revaluation reserve HK$'M**	**Translation reserve HK$'M**	**Contributed surplus HK$'M**	**Retained profits HK$'M**	**Total HK$'M**	**Perpetual capital securities HK$'M**	**Non-controlling interests HK$'M**	**Total equity HK$'M**
At 1 January 2017	671.7	3,302.5	(35.6)	153.0	15.4	64.1	(137.3)	751.0	19,523.8	24,308.6	–	3.5	24,312.1
Comprehensive income													
Profit for the year	–	–	–	–	–	–	–	–	1,981.9	1,981.9	18.4	2.1	2,002.4
Other comprehensive income													
Exchange differences on translation of foreign operations	–	–	–	–	–	–	70.6	–	–	70.6	–	–	70.6
Exchange loss realised to profit or loss upon disposal of a subsidiary	–	–	–	–	–	–	2.4	–	–	2.4	–	–	2.4
Net fair value gain arising from revaluation of available-for- sale financial assets	–	–	–	157.3	–	–	–	–	–	157.3	–	–	157.3
Net loss on net investment hedge	–	–	(4.2)	–	–	–	–	–	–	(4.2)	–	–	(4.2)
Net gain on cash flow hedge	–	–	23.7	–	–	–	–	–	–	23.7	–	–	23.7
Share of other comprehensive income of a joint venture	–	–	1.9	–	–	–	–	–	–	1.9	–	–	1.9
Total comprehensive income	–	–	21.4	157.3	–	–	73.0	–	1,981.9	2,233.6	18.4	2.1	2,254.1
Transactions with owners													
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	12.0	–	–	–	–	12.0	–	–	12.0
Incentive shares exercised	1.0	6.6	–	–	(7.6)	–	–	–	–	–	–	–	–
Share options exercised	0.4	1.2	–	–	(1.6)	–	–	–	–	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
2016 final dividend paid	–	–	–	–	–	–	–	–	(185.8)	(185.8)	–	–	(185.8)
2017 interim dividend paid	–	–	–	–	–	–	–	–	(60.6)	(60.6)	–	–	(60.6)
Transfer of reserves	–	–	–	–	–	(12.5)	–	–	12.5	–	–	–	–
Issuance of perpetual capital securities	–	–	–	–	–	–	–	–	–	–	1,496.1	–	1,496.1
Transaction costs in relation to the issuance of perpetual capital securities	–	–	–	–	–	–	–	–	(17.9)	(17.9)	–	–	(17.9)
Total transactions with owners	1.4	7.8	–	–	2.8	(12.5)	–	–	(251.8)	(252.3)	1,496.1	(0.1)	1,243.7
At 31 December 2017	673.1	3,310.3	(14.2)	310.3	18.2	51.6	(64.3)	751.0	21,253.9	26,289.9	1,514.5	5.5	27,809.9

The notes on pages 70 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 HK$'M	2017 HK$'M
Cash flows from operating activities			
Profit from operations		1,323.5	2,031.5
Adjustments for:			
Change in fair value of investment properties	16	(348.4)	(834.1)
Net fair value loss/(gain) on derivative financial instruments	15	0.7	(45.2)
Gain on financial liabilities at fair value through profit or loss classified under other long-term liability	15	(8.1)	(3.2)
Loss on financial investments at fair value through profit or loss	15	102.3	–
Gains on disposal of investment properties		–	(661.2)
Loss on disposal of other properties, plant and equipment		–	0.1
Gain on disposal of subsidiaries	27	(693.3)	(3.1)
Gain on decrease in interest of a joint venture	8	(41.0)	–
Depreciation of other properties, plant and equipment		9.6	5.0
Write-off of interest income receivable from a joint venture	8	34.2	–
(Write back of provision)/provision for impairment on loans to associates, net	8	(7.9)	0.1
Amortised income from financial investments at amortised cost		(7.3)	–
Share-based compensation expenses		12.2	12.0
Operating cash flows before movements in working capital		376.5	501.9
Increase in properties for sale		(795.9)	(276.6)
Decrease in trade and other receivables, deposits and prepayments		90.8	588.3
Decrease in sales proceeds held in stakeholders' accounts		–	0.9
Increase in trade and other payables and accruals		199.8	299.6
Net cash (used in)/generated from operations		(128.8)	1,114.1
Interest income received		46.7	22.4
Interest paid on bank and other borrowings		(169.4)	(157.6)
Hong Kong profits tax paid		(81.6)	(80.1)
Tax paid in other jurisdictions		(0.2)	(1.7)
Net cash (used in)/generated from operating activities		(333.3)	897.1

	Note	2018 HK$'M	2017 HK$'M
Cash flows from investing activities			
Additions of investment properties		(90.0)	(46.3)
Purchase of other properties, plant and equipment		(5.0)	(28.9)
Purchase of financial investments at amortised cost and financial investments at fair value through profit or loss		(790.9)	–
Capital injection to joint ventures		(0.7)	–
Repayment of loans to an associate		0.2	–
Advances of loans to joint ventures		(1,137.9)	(4,307.8)
Repayments of loans to joint ventures		1,387.4	67.6
Net proceeds from disposal of subsidiaries	27	2,809.5	32.3
Proceeds from disposal of investment properties		1,888.9	282.1
Proceeds from disposal of other properties, plant and equipment		–	0.1
Proceeds from decrease in interest in a joint venture		41.0	–
Placement of deposits with banks with original maturity of more than three months		(265.1)	(8.2)
Dividend income received from an associate		3.2	–
Interest income received from financial investments at amortised cost		2.3	–
Net cash generated from/(used in) investing activities		3,842.9	(4,009.1)
Cash flows from financing activities			
Cash (settlement)/received on derivative financial instruments		(4.0)	7.0
Bank and other borrowings raised		306.1	1,339.1
Repayments of bank and other borrowings		(1,406.4)	(497.4)
Proceeds from perpetual capital securities, net of transaction costs	34	–	1,478.2
Distribution paid on perpetual capital securities		(66.3)	–
Dividends paid by the Company		(384.5)	(246.4)
Dividends paid to non-controlling shareholders		(0.2)	(0.1)
Net cash (used in)/generated from financing activities		(1,555.3)	2,080.4
Increase/(decrease) in cash and cash equivalents		1,954.3	(1,031.6)
Cash and cash equivalents at the beginning of the year		646.0	1,682.8
Cash and bank balances of a subsidiary transferred to assets classified as held for sale		–	(5.2)
Cash and cash equivalents at the end of the year	26	2,600.3	646.0

Reconciliation of liabilities arising from financing activities is disclosed in Note 31 to the consolidated financial statements.

The notes on pages 70 to 153 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Wing Tai Properties Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The Company is an investment holding company. Its principal subsidiaries are engaged in property development, property investment and management and hospitality investment and management. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's joint ventures and associates are principally engaged in property investment, property development and hospitality investment.

These consolidated financial statements are presented in millions of Hong Kong dollars (HK$'M), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial investments at fair value through profit or loss, financial liabilities at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(i) New standards, revised standards, amendments and improvements to standards effective for the current accounting period beginning on 1 January 2018 and relevant to the Group

Amendments to HKAS 40	Transfers of investment property
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 15	Clarifications to HKFRS 15 revenue from contracts with customers
Annual improvements	Annual improvements 2014 – 2016 cycle
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) – Interpretation 22	Foreign currency transactions and advance consideration

Except for HKFRS 9 and HKFRS 15, the adoption of the other new or revised standards, amendments and improvements to standards and interpretations of HKFRS stated above did not have any significant impact to the consolidated financial statements in the current and prior years. The impact from adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 3 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) New standards, revised standards, amendments and improvements to standards that are not yet effective in 2018 and have not been early adopted by the Group

The Group has not early adopted the following new standards, revised standards, amendments and improvements to standards that have been issued but are not yet effective for the year ended 31 December 2018:

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Annual improvements	Annual improvements 2015 – 2017 cycle	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

HKFRS 16 – Leases

HKFRS 16 replaces HKAS 17 and related interpretations and introduces a comprehensive model for the identification of lease arrangement and accounting treatment for both lessors and lessees. It will result in almost all leases being recognised on the balance sheet, 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. The standard will affect primarily the accounting for the Group's operating leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not expect significant impact on application of the standard and does not intend to adopt the standard before its effective date.

Other than HKFRS 16, the Group is in the process of making an assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation and equity accounting

(i) 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.

The acquisition method of accounting is used to account for business combinations by the group (refer to Note 2c).

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 income statement, statement of comprehensive income, statement of changes in equity and consolidated balance sheet respectively.

(ii) 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 (iv) below), after initially being recognised at cost.

(iii) 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 (iv) below), after initially being recognised at cost in the consolidated balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation and equity accounting (Continued)

(iv) Equity method

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(k).

(v) 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 group.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) 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 fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, fair value of any asset or liability resulting from a contingent consideration arrangement, and 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.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and 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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. 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.

(d) 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.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors who are responsible for allocating resources and assessing performance of the operating segments. The identification of operating segments is set out in Note 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation

(i) 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 consolidated financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and the Company's and the Group's presentation currency.

(ii) 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 generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

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 and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (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:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
– income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this 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
– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translations differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(g) Other properties, plant and equipment

Land and buildings comprise offices occupied by the Group. Leasehold land classified as finance lease and all other properties, plant and equipment are stated at historical cost less depreciation and impairment losses. 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 any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the consolidated income statement during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Freehold land with unlimited useful life is not depreciated. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of other properties, plant and equipment, other than construction in progress is calculated using the straight-line method to allocate the cost to their residual values over their estimated useful lives at the following annual rates calculated from the acquisition cost:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	2% – 4%
Furniture, fixtures and equipment	10% – 33 1/3%
Vehicles	20% – 33 1/3%
Plant and machinery	5% – 10%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other properties, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 or losses arising on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of assets to retained earnings.

(h) Investment properties

Investment properties, principally comprising leasehold land and office buildings, are held for long-term rental yields and are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets, income capitalisation valuation techniques or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the consolidated income statement during the reporting period in which they are incurred.

If any investment property becomes owner-occupied, it is reclassified as other property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as investment property and is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until its fair value becomes reliably determinable.

(i) Assets classified as held for sale

Assets classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as assets held for sale are stated at fair value at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Properties for sale

Properties for sale comprising properties for/under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties under development are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties for sale are classified as current assets unless the construction period of the relevant property development project is expected to be completed beyond normal operating cycle.

(k) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Investments in subsidiaries, joint ventures, associates and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable; in addition, other non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 of disposal 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 which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate 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.

(l) Financial investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial investments and other financial assets either those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial investments and other 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 ("FVOCI").

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial investments and other financial assets (Continued)

Recognition and derecognition

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

Measurement

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

(i) 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:

– 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 investments and other 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 gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial investments and other financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial investment and other financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial investments and other financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial investments and other financial assets (Continued)

Measurement (Continued)

(ii) 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 profit or loss as revenue when the Group's right to receive payments is established.

Changes in the fair value of financial investments and other financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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 and FVOCI. 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.

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: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) 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 and held-to-maturity categories 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)

(l) Financial investments and other financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(ii) 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 investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously recognised in investment revaluation reserve are included in the income statement.

(iii) 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.

Loans and receivables and held-to-maturity financial assets 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 value are recognised as follows:

– for 'financial assets at FVPL' – in profit or loss within other income or other expenses

– 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

– 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 4(c).

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if 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 estimated future cash flows of the financial asset or group of financial assets that can 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 is considered an indicator that the assets are impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial investments and other financial assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(iv) Impairment (Continued)

Assets carried at amortised cost

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may 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 decreases and the decrease can 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 is recognised in the consolidated income statement.

Assets classified as available-for-sale financial assets

If there is 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 – is removed from equity and recognised in profit or loss.

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

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(m) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when the Group currently 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)

(n) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transactions (cash flow hedge); or

(ii) hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 25. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivatives and hedging activities (Continued)

(i) Cash flow hedge that quantify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

– Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

– The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivatives and hedging activities (Continued)

(ii) Net investment hedge

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in hedging reserve are reclassified in the income statement when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. They are classified as current or non-current assets or liabilities according to the settlement dates of the derivative instruments. Changes in the fair value of these derivative instruments are recognised in the income statement.

(p) 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group measures the loss allowance using a lifetime expected loss for trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the historical observed default rates adjusted for forward-looking estimates.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment losses on trade and other receivables are recognised within operating profit. Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

(q) Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Share capital

Ordinary shares are classified as share capital. 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.

(s) Perpetual capital securities

Perpetual capital securities have no fixed maturity and are redeemable at the Group's option. The securities are accounted for as part of equity.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(u) Borrowings

Borrowings (including the fixed rate bonds as disclosed in Note 29) are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

(v) Other financial liabilities

The Group classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed. The management classifies financial liabilities at fair value through profit or loss if they are managed and their performance measured on fair value basis. A financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss include other long-term liability disclosed in Note 32. They are initially recognised at fair value and transaction costs are expensed off immediately. Realised or unrealised gains or losses on financial liabilities are charged to the income statement in the period in which they arise. The fair value is estimated by discounting the estimated future contractual cash flows at the current market discount rate which considers the Group's credit risk. Where applicable, a pricing adjustment is applied to arrive at the fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 expensed in the period in which they are incurred.

(x) Current and deferred taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries, joint ventures and associates 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.

(ii) Deferred income tax

Deferred income tax is provided in full, 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. Deferred income tax is also 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Current and deferred taxation (Continued)

(ii) Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in 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.

(y) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) 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.

(iii) Bonus plans

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Retirement benefits cost

Payments to the Group's defined contribution retirement schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due. The Group has no legal or constructive obligations to pay further contributions for post-retirement benefits beyond its fixed contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Employee benefits (Continued)

(v) Share-based payments

The Group operates two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and incentive shares) of the Group. The fair value of the employee services received in exchange for the grant of the options and incentive shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options and incentive shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options and incentive shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options and incentive shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to employee share-based compensation reserve.

When the options and incentive shares are exercised (Note 35), the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options and incentive shares are exercised.

(z) 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 can be 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Revenue recognition

Revenue represents sale of properties, rental income, project and property management income, dividend income and interest income from financial investments and other financial assets (2017: available-for-sale financial assets). Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Revenue from pre-sale of properties under development is 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 properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment for performance completed to date, 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 completed property.

The timing of revenue recognition for sale of completed properties would be recognised when the underlying property is legally or physically transferred to the customer under the control transfer model.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property would be adjusted when significant financial component exists in that contract.

Certain costs incurred for obtaining a pre-sale property contract would be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract.

(ii) Rental income from investment property is recognised on a straight-line basis over the lease term.

(iii) Project and property management income is recognised when the services are rendered.

(iv) Dividends are received from financial investments and other financial assets measured at FVPL and at FVOCI (2017: from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised when the right to receive payment is established.

(v) Interest income is recognised by applying the effective interest rate to the gross carrying amount of financial investments and other financial assets except for financial investments and other financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial investments and other financial asset (after deduction of the loss allowance). Interest income from financial investments and other financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Finance income

Finance income is earned from financial investments and other financial assets that are held for cash management purposes. Any other interest income is included in other income.

(cc) Operating leases

(i) Group as the lessee to operating 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 income statement on a straight-line basis over the lease term.

(ii) Group as the lessor to operating leases

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised on a straight-line basis over the lease term.

(dd) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(ee) 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. CHANGES IN ACCOUNTING POLICIES

This note explains the impact from adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from contracts with customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained earnings as at 1 January 2018 and that comparatives had not be restated. The new accounting policies and the adjustments to the consolidated financial statements are set out below.

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial investments and other financial assets and financial liabilities, derecognition of financial instruments, impairment of financial investments and other financial assets and hedge accounting. HKFRS 15 replaces HKAS 18 Revenue which covers contracts for goods and services and HKAS 11 Construction Contracts which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The summary of accounting policy of HKFRS 9 and HKFRS 15 is disclosed in Note 2 (l) and 2 (aa) respectively.

Impact on the consolidated financial statements

The Group has applied HKFRS 9 and HKFRS 15 retrospectively from 1 January 2018. As permitted by the respective transitional provisions of these accounting standards, comparatives for 2017 were not restated. The reclassifications and adjustments were recognised in the opening consolidated balance sheet on 1 January 2018.

(a) Impact on the consolidated financial statements as at 1 January 2018 arising from HKFRS 9

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.

	As at 1 January 2018		
Consolidated balance sheet (extract)	**As previously stated HK$'M**	**Impact from adoption of HKFRS 9 HK$'M**	**Restated HK$'M**
Non-current assets			
Available-for-sale financial assets	529.9	(529.9)	–
Financial investments at fair value through profit or loss	–	529.9	529.9
Equity			
Investment revaluation reserve	310.3	(310.3)	–
Retained profits	21,253.9	310.3	21,564.2

Upon adoption of HKFRS 9, REIT and other financial investments with fair value of HK$529.9M as at 1 January 2018 were reclassified from available-for-sale financial assets to financial investments at fair value through profit or loss. They do not meet HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of HK$310.3M was transferred from investment revaluation reserve to retained profits as at 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Impact on the consolidated financial statements (Continued)

(b) Impact on the consolidated financial statements as at 1 January 2018 arising from HKFRS 15

Adoption of HKFRS 15 has no impact to the opening consolidated balance sheet on 1 January 2018.

(c) Impact on the consolidated financial statements for the year ended/as of 31 December 2018 arising from HKFRS 9 and HKFRS 15

The following tables show the impact on each individual line item of the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2018 and the consolidated balance sheet as of 31 December 2018 following the adoption of the HKFRS 9 and HKFRS 15. Line items that were not affected by the changes are not included.

	For the year ended 31 December 2018			
	Before adoption of HKFRS 9 and HKFRS 15	Impact from adoption of		Result as reported
Consolidated income statement (extract)	HK$'M	HKFRS 9 HK$'M	HKFRS 15 HK$'M	HK$'M
Change in fair value of financial instruments	4.6	(99.5)	–	(94.9)
Share of results of joint ventures	265.2	–	(149.6)	115.6
Profit for the year	1,628.6	(99.5)	(149.6)	1,379.5
Earnings per share attributable to shareholders of the Company				
– Basic	HK$1.15	(HK$0.07)	(HK$0.11)	HK$0.97
– Diluted	HK$1.15	(HK$0.07)	(HK$0.11)	HK$0.97

	For the year ended 31 December 2018			
	Before adoption of HKFRS 9 and HKFRS 15	Impact from adoption of		Result as reported
Consolidated statement of comprehensive income (extract)	HK$'M	HKFRS 9 HK$'M	HKFRS 15 HK$'M	HK$'M
Profit for the year	1,628.6	(99.5)	(149.6)	1,379.5
Other comprehensive income				
Items that have been/may be reclassified subsequently to profit or loss:				
Net fair value loss arising from revaluation of available-for-sale financial assets	(99.5)	99.5	–	–
Total comprehensive income for the year	1,500.4	–	(149.6)	1,350.8

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Impact on the consolidated financial statements (Continued)

(c) Impact on the consolidated financial statements for the year ended/as of 31 December 2018 arising from HKFRS 9 and HKFRS 15 (Continued)

	As at 31 December 2018			
	Before adoption of HKFRS 9 and HKFRS 15	Impact from adoption of		Result as reported
Consolidated balance sheet (extract)		HKFRS 9	HKFRS 15	
	HK$'M	HK$'M	HK$'M	HK$'M
Non-current assets				
Investments in joint ventures	2,070.3	–	(149.6)	1,920.7
Financial investments at fair value through profit or loss	124.1	429.7	–	553.8
Available-for-sale financial assets	429.7	(429.7)	–	–
Equity				
Investment revaluation reserve	210.8	(210.8)	–	–
Retained profits	22,430.9	210.8	(149.6)	22,492.1

The adoption of HKFRS 9 and HKFRS 15 has no impact on the net cash flow from operating, investing and financing activities on the consolidated cash flow statement.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk and cash flow interest rate risk and price 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. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to UK pounds, Renminbi and Singapore dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group uses a combination of cross currency swap contracts and forward exchange contracts to hedge its exposure to foreign currency risk.

The intrinsic value of cross currency swap contracts and forward exchange contracts is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the discounted spot market exchange rate is defined as the time value. It is discounted, where material.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The Group has certain investments in foreign operations in UK, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings, forward exchange contracts and cross currency swap contracts denominated in UK pounds.

At 31 December 2018, the Group has certain financial investments and other financial assets denominated in United States dollar. Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar, management therefore considers that there are no significant foreign exchange risk with respect to the United States dollar.

At 31 December 2018, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, equity would have been HK$13.7M (2017: HK$13.5M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations.

The Group has entered into cross currency swap contracts to hedge against foreign exchange exposure arising from fixed rate bonds denominated in Singapore dollars. The fixed rate bonds are fully swapped into Hong Kong dollar so as to eliminate foreign exchange fluctuation from Singapore dollar when interest payments and principal repayment of the fixed rate bonds are made in future. The Group has also entered cross currency swap contracts against perpetual capital securities in Singapore dollars.

At 31 December 2018, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, no impact on equity (2017: HK$26.4M higher/lower) and post-tax profit for the year would have been HK$85.3M (2017: HK$65.7M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated financial investments at FVPL (2017: available-for-sale financial assets) and portion of changes in the fair value of cross currency swap contracts for perpetual capital securities in Singapore dollars not qualified for hedge accounting respectively.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets (other than bank deposits and amounts due from joint ventures), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in Note 29 below. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose to the Group to fair value interest rate risk. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$4.8M (2017: HK$9.3M) lower/higher and capitalised interest on "properties for sale" would have been HK$9.9M (2017: HK$10.2M) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

In addition, if interest rates had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$13.0M (2017: HK$16.2M) higher or HK$13.5M (2017: HK$16.8M) lower, mainly as a result of gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualified for hedge accounting.

(iii) Price risk

The Group is exposed to equity securities and debt investments price risk because certain financial assets of the Group are classified in the consolidated balance sheet as financial investments at fair value through profit or loss. The Group is not exposed to commodity price risk.

At 31 December 2018, if market value of the Group's listed financial investments at fair value through profit or loss had increased/decreased by 10% (2017: 10%), with all other variables held constant, post-tax profit for the year would have been HK$63.9M higher/lower. In 2017, equity would have been HK$52.9M higher/lower. The sensitivity analysis has been determined based on a reasonable expectation of possible valuation volatility over the next 12 months.

(iv) Credit risk

The Group's credit risks are primarily attributable to the Group's cash at banks, contractual cash flows of financial investments carried at amortised cost and at fair value through profit or loss (2017: available-for-sale financial assets), trade receivables from sale of properties and rent receivables from tenants, loans to joint ventures and associates.

The Group has limited its credit exposure by ensuring the Group's cash deposits are placed with reputable banks and financial institutions with high credit rating.

The Group's debt investments carried at amortised cost and at fair value through profit or loss are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

In respect of credit exposures to customers for sale of properties, the Group normally receives deposits or progress payments from individual customers prior to the completion of sale transactions. If a customer defaults on the payment of the sale of properties, the Group is able to forfeit the customer's deposit and re-sell the property to another customer. Therefore, the Group's credit risk is significantly reduced. For rent receivables from tenants, credit checks are part of the normal leasing process. The Group normally receives deposits for leases to tenants. Regular review is carried out and stringent monitoring procedures are in place to deal with overdue debts. At each balance sheet date, the Group reviews the recoverable amount of each individual trade receivables to ensure that adequate provisions for impairment are made for irrecoverable amounts, if any. The Group has no significant concentrations of credit risk on trade receivables.

In respect of credit exposures on loans to joint ventures and associates, the Group would closely monitor the financial positions including the net assets backing of these related companies. The exposure to these credit risks are monitored on an ongoing basis.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Corporate and managed by the Group Treasury Department, which invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash flows and may not reconcile to the amounts in the balance sheet.

	Less than 1 year HK$'M	Between 1 and 2 years HK$'M	Between 2 and 5 years HK$'M	Over 5 years HK$'M
At 31 December 2018				
Bank and other borrowings	1,459.6	239.3	3,704.8	138.5
Derivative financial instruments	17.9	16.5	126.4	0.3
Trade and other payables and accruals	973.7	17.9	7.1	–
Other long-term liability	–	–	–	48.7
Financial guarantees (Note)	1,437.1	1,626.6	2,936.1	64.2
Total	3,888.3	1,900.3	6,774.4	251.7
At 31 December 2017				
Bank and other borrowings	1,550.3	1,263.0	3,208.9	736.9
Derivative financial instruments	25.5	14.5	122.4	5.2
Trade and other payables and accruals	721.4	1.0	5.5	–
Other long-term liability	–	–	–	57.7
Financial guarantees (Note)	4,502.5	3.8	363.8	–
Total	6,799.7	1,282.3	3,700.6	799.8

Note:

These amounts are financial guarantees from the Group to its joint ventures representing the hypothetical payments should the guarantees be crystalised, however based on the operating results of the joint ventures, the Group does not expect them to be crystalised.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total equity which is the Group's capital. Net borrowings are calculated as bank and other borrowings less bank balances and cash.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 HK$'M	**2017 HK$'M**
Bank and other borrowings	5,034.5	6,184.1
Less: Bank balances and cash	(2,873.6)	(654.2)
Net borrowings	2,160.9	5,529.9
Total equity	28,721.9	27,809.9
Gearing ratio	7.5%	19.9%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
– 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).
– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following tables present the Group's financial assets and liabilities that are measured at fair value at 31 December 2018 and 2017 (see Note 16 for disclosures of the investment properties that are measured at fair value).

	Level 1 HK$'M	Level 2 HK$'M	Level 3 HK$'M	Total HK$'M
At 31 December 2018				
Assets				
Financial investments at fair value through profit or loss				
– listed securities	430.2	–	–	430.2
– listed debt investments	123.6	–	–	123.6
– unlisted fund investments	–	84.7	–	84.7
Derivative financial instruments				
– interest rate swap contracts	–	2.8	–	2.8
– cross currency swap contracts	–	45.4	–	45.4
– forward exchange contracts	–	6.6	–	6.6
	553.8	139.5	–	693.3
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	11.9	–	11.9
– cross currency swap contracts	–	110.2	–	110.2
– forward exchange contracts	–	6.9	–	6.9
Other long-term liability	–	–	48.7	48.7
	–	129.0	48.7	177.7
At 31 December 2017				
Assets				
Available-for-sale financial assets				
– listed securities	529.9	–	–	529.9
Derivative financial instruments				
– interest rate swap contracts	–	2.1	–	2.1
– cross currency swap contracts	–	47.7	–	47.7
	529.9	49.8	–	579.7
Liabilities				
Derivative financial instruments				
– interest rate swap contracts	–	20.1	–	20.1
– cross currency swap contracts	–	97.1	–	97.1
– forward exchange contracts	–	9.4	–	9.4
Other long-term liability	–	–	57.7	57.7
	–	126.6	57.7	184.3

There is no transfer between the different levels of fair value measurement hierarchy of financial instruments for the years ended 31 December 2018 and 2017.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in Level 1:

Listed securities and debt investments are stated at market prices. The quoted market price used for financial assets held by the Group is the bid price at the end of the reporting period. They are included in Level 1.

(ii) Financial instruments in Level 2:

Unlisted fund investments are stated at fair values which are estimated using other prices observed in recent transactions or valuation techniques when the market price is not readily available.

The fair value of forward exchange contracts and cross currency swap contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows based on observable yield curves.

If all significant inputs required to estimate the fair value of an instrument are observable, the instrument is included in Level 2. If one or more of significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Financial instruments in Level 3:

Other long-term liability represents provisions of liabilities in relation to indemnifying a third party against the cost of winding up the pension scheme of the disposed business in 2012.

Valuation processes of the Group

The Group engaged Barnett Waddingham, an independent valuer, to value its long-term liability. Discussion of valuation processes and results are held between the Group's management and valuer at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date the Group's management:

- verifies all major inputs to the independent valuation report;
- assesses the liability valuation movements when compared to the prior period valuation report;
- holds discussions with the independent valuer.

The fair value of the long-term liability is determined using a solvency valuation model and the significant unobservable inputs used in the fair value measurement are the forecast price inflation and investment return. The fair value measurement of the liability is positively correlated to the forecast price inflation and negatively correlated to the forecast investment return. As at 31 December 2018, it is estimated that with all other variables held constant, an increase in both the above unobservable inputs by 0.1% (2017: 0.1%) would have increased the Group's profit by HK$0.8M (2017: HK$0.9M).

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

(iii) Financial instruments in Level 3: (Continued)

Valuation processes of the Group (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Other long-term liability	
	2018	**2017**
	HK$'M	**HK$'M**
Opening balance	(57.7)	(62.7)
Group's contributions	0.9	1.8
Fair value gain recognised in the consolidated income statement (Note 15)	8.1	3.2
Closing balance	(48.7)	(57.7)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 discussed below.

(a) Fair value of investment properties

The Group's investment properties are revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions made by the valuers are reasonable, the Group considers information from comparable current prices in an active market for similar properties, capitalisation rates, terminal yield, rental income from current leases and assumptions about rental from future leases and the reversionary income potential and uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 16.

(b) Fair value of derivative financial instruments

If information on current or recent prices of derivative financial instruments is not available, the fair values of derivative financial instruments are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Fair value of financial liabilities at fair value through profit or loss classified under other long-term liability

If information on current or recent prices of financial liabilities at fair value through profit or loss is not available, the fair values of financial liabilities at fair value through profit or loss are determined using valuation techniques (including discounted cash flow model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date. The main assumptions have been disclosed in Note 32.

(d) Impairment of financial investments and other financial assets

The loss allowances for financial investments and 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 past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(e) Net realisable values of properties for sale

The Group assesses the carrying amounts of properties for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience, committed contracts and estimated net sales/rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(f) Impairment of assets (mainly investments in joint ventures and associates)

The Group tests whether the investments in joint ventures and associates have suffered any impairment, in accordance with the accounting policy stated in Note 2(k). The recoverable amount of the investment is the higher of the asset's fair value less costs to sell and value-in-use. These calculations require the use of estimates.

(g) Taxation

The Group is subject to income taxes, capital gains tax, land appreciation tax and withholding tax in several jurisdictions as applicable. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

The Group has used presumption that the carrying amount of all investment properties except for certain PRC investment properties using fair value model will be recovered through sale. Accordingly, no provision for deferred tax is made on revaluation of investment properties if there is no capital gains tax. The PRC investment properties would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment properties using income tax rate.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(h) Accrual of construction costs

It usually takes more than a year after completion of the relevant constructions to finalise and agree with the contractors on overall construction costs (including initial contract sum, variation orders, liquidation damages, if any) for property development. The Group has accrued for construction costs based on the latest information available and directors' best estimate on the likely outcome of negotiation with contractors. If the final construction costs differ from the accruals made, there will be effects on the results of the Group in the year in which construction costs are concluded.

6. REVENUE

Revenue represents the amounts received and receivable from third parties net of value-added tax and discounts in connection with the following activities:

	2018 HK$'M	**2017 HK$'M**
Sale of properties and project management income	31.0	139.5
Rental income and property management income	819.7	902.8
Interest income from financial investments	11.3	–
Dividend income	22.7	22.0
	884.7	1,064.3

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Executive Directors in order to allocate resources to the segment and to assess its performance.

Segment information are analysed on the basis of the Group's operating divisions. They are (i) Property Development, (ii) Property Investment and Management, (iii) Hospitality Investment and Management and (iv) Others. Others mainly represent investing activities and corporate activities including central management and administrative function.

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Elimination HK$'M	Total HK$'M
For the year ended 31 December 2018						
REVENUE						
External sales						
Revenue						
– Recognised at a point in time	5.1	–	–	–	–	5.1
– Recognised over time	25.9	15.2	16.4	–	–	57.5
Revenue from other sources						
– Rental income	1.2	659.1	127.8	–	–	788.1
– Interest income from financial investments	–	–	–	11.3	–	11.3
– Dividend income	–	–	–	22.7	–	22.7
Inter-segment sales	3.9	11.6	–	–	(15.5)	–
Total	36.1	685.9	144.2	34.0	(15.5)	884.7
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments and gain on disposal of subsidiaries	(100.1)	470.2	10.7	(4.1)	–	376.7
Change in fair value of						
– investment properties	–	263.8	84.6	–	–	348.4
– financial instruments	–	8.1	–	(103.0)	–	(94.9)
Gain on disposal of subsidiaries	–	693.3	–	–	–	693.3
Profit/(loss) from operations	(100.1)	1,435.4	95.3	(107.1)	–	1,323.5
Finance costs	–	(50.2)	(12.0)	(18.0)	21.8	(58.4)
Finance income	–	3.9	0.1	64.2	(21.8)	46.4
Share of results of joint ventures	66.3	12.6	36.7	–	–	115.6
Share of results of associates	–	5.2	–	–	–	5.2
Profit/(loss) before taxation	(33.8)	1,406.9	120.1	(60.9)	–	1,432.3
Taxation						(52.8)
Profit for the year						1,379.5
Other items						
Depreciation and amortisation	0.2	1.3	–	8.1	–	9.6

7. SEGMENT INFORMATION (Continued)

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Elimination HK$'M	Total HK$'M
For the year ended 31 December 2017						
REVENUE						
External sales	139.5	775.5	127.3	22.0	–	1,064.3
Inter-segment sales	–	9.8	0.1	–	(9.9)	–
Total	139.5	785.3	127.4	22.0	(9.9)	1,064.3
RESULTS						
Profit/(loss) before change in fair value of investment properties and financial instruments and gains on disposal of investment properties	(65.7)	548.0	32.6	(27.1)	–	487.8
Change in fair value of						
– investment properties	–	822.5	11.6	–	–	834.1
– financial instruments	–	5.2	–	43.2	–	48.4
Gains on disposal of investment properties	–	661.2	–	–	–	661.2
Profit/(loss) from operations	(65.7)	2,036.9	44.2	16.1	–	2,031.5
Finance costs	–	(64.4)	(9.9)	(38.5)	39.7	(73.1)
Finance income	–	0.3	6.0	67.6	(39.7)	34.2
Share of results of joint ventures	110.1	4.4	(13.0)	–	–	101.5
Share of results of associates	(0.2)	7.1	–	–	–	6.9
Profit before taxation	44.2	1,984.3	27.3	45.2	–	2,101.0
Taxation						(98.6)
Profit for the year						2,002.4
Other items						
Depreciation and amortisation	–	2.1	0.1	2.8	–	5.0
Loss on disposal of other properties, plant and equipment	–	0.1	–	–	–	0.1

Inter-segment transactions are entered into under the normal commercial terms and conditions mutually agreed among group companies.

7. SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31 December 2018 and 2017 and additions to non-current assets for the years then ended are as follows:

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Others HK$'M	Total HK$'M
At 31 December 2018					
ASSETS					
Segment assets (Note a)	4,093.1	18,068.3	2,622.9	3,973.9	28,758.2
Investments in joint ventures and loans to joint ventures	5,586.4	841.0	124.9	–	6,552.3
Investments in associates and loans to associates	3.1	35.3	–	–	38.4
	9,682.6	18,944.6	2,747.8	3,973.9	35,348.9
Other assets (Note a)					78.8
Consolidated total assets					35,427.7
LIABILITIES					
Segment liabilities (Note b)	(795.4)	(225.4)	(93.0)	(89.5)	(1,203.3)
Other liabilities (Note b)					(5,502.5)
Consolidated total liabilities					(6,705.8)
Additions to non-current assets (Note d)	0.6	18.1	73.9	2.4	95.0
At 31 December 2017					
ASSETS					
Segment assets (Note a)	4,044.6	21,897.3	1,623.5	1,105.1	28,670.5
Investments in joint ventures and loans to joint ventures	6,380.1	226.9	125.4	–	6,732.4
Investments in associates and loans to associates	5.9	23.5	–	–	29.4
	10,430.6	22,147.7	1,748.9	1,105.1	35,432.3
Other assets (Note a)					63.8
Consolidated total assets					35,496.1
LIABILITIES					
Segment liabilities (Note b)	(610.4)	(280.6)	(22.2)	(96.1)	(1,009.3)
Other liabilities (Note b)					(6,676.9)
Consolidated total liabilities					(7,686.2)
Additions to non-current assets (Note d)	–	37.9	8.7	28.6	75.2

7. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue by geographical areas in which the customers are located, irrespective of the origin of the goods/services; and by timing of satisfaction of performance obligations:

	Revenue recognised at a point in time HK$'M	Revenue recognised over time HK$'M	Rental income HK$'M	Interest income from financial investments HK$'M	Dividend income HK$'M	Year ended 31 December 2018 Total HK$'M	2017 Total HK$'M
Hong Kong	5.1	44.5	741.7	–	–	791.3	991.8
The PRC	–	9.1	20.0	–	–	29.1	24.0
United Kingdom	–	–	26.4	–	–	26.4	23.5
Singapore	–	1.1	–	–	22.7	23.8	22.2
Others	–	2.8	–	11.3	–	14.1	2.8
	5.1	57.5	788.1	11.3	22.7	884.7	1,064.3

The followings are analyses of the Group's total assets, non-current assets including investment properties and other properties, plant and equipment, and additions to non-current assets by geographical areas in which the assets are located.

	Total assets At 31 December		Non-current assets (Note c) At 31 December		Additions to non-current assets (Note d) Year ended 31 December	
	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M
Hong Kong	31,719.3	33,046.6	19,161.5	17,955.1	91.5	65.7
United Kingdom	1,754.3	1,194.1	855.0	909.3	3.5	9.2
The PRC	590.5	583.9	517.0	531.4	–	0.3
Singapore	442.6	544.0	–	–	–	–
Others	921.0	127.5	–	–	–	–
	35,427.7	35,496.1	20,533.5	19,395.8	95.0	75.2

Notes:

(a) Segment assets consist primarily of investment properties, other properties, plant and equipment, financial investments at amortised cost, financial investments at fair value through profit or loss (2017: available-for-sale financial assets), properties for sale, trade and other receivables, deposits and prepayments, bank balances and cash and assets classified as held for sale. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.

(b) Segment liabilities comprise operating liabilities and liabilities directly associated with assets classified as held for sale. Other liabilities include tax payable, bank and other borrowings, deferred tax liabilities and derivative financial instruments.

(c) Non-current assets include investment properties and other properties, plant and equipment.

(d) Additions to non-current assets comprise additions to investment properties and other properties, plant and equipment.

The Group's operations are principally located in Hong Kong, the United Kingdom and the People's Republic of China other than Hong Kong (the "PRC").

8. OTHER GAINS, NET

	2018 HK$'M	2017 HK$'M
Exchange (losses)/gains, net	(4.5)	5.1
Loss on disposal of other properties, plant and equipment	–	(0.1)
Write back of provision/(provision for impairment) on loans to associates	7.9	(0.1)
Write back of provisions for claims	1.0	1.0
Gain on decrease in interest of a joint venture (Note 18 (a))	41.0	–
Write-off of interest income receivable from a joint venture	(34.2)	–
Others	2.8	7.7
	14.0	13.6

9. PROFIT FROM OPERATIONS

	2018 HK$'M	2017 HK$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Staff costs including directors' remuneration	253.8	256.0
Retirement benefits costs	8.8	8.8
Total staff costs (Note)	262.6	264.8
Share-based compensation expenses (Note)	12.2	12.0
Auditor's remuneration		
– Audit services	4.7	4.5
– Non-audit services	0.9	2.0
Cost of properties included in cost of sales	1.7	40.1
Depreciation of other properties, plant and equipment (Note 17)	9.6	5.0
Direct operating expenses arising from investment properties generating rental income	149.7	165.9
Gains on disposal of investment properties	–	(661.2)
Gain on disposal of subsidiaries (Note 27)	(693.3)	(3.1)
Gain on decrease in interest of a joint venture (Note 8)	(41.0)	–
Gross rental income from investment properties	(788.1)	(869.6)
Loss on disposal of other properties, plant and equipment	–	0.1

Note:

Share-based compensation expenses recognised in the consolidated income statement in respect of share options and incentive shares granted to certain directors and employees are not included in the total staff costs above.

10. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

Details of the remuneration of every director for the year ended 31 December 2018 are set out below:

Name	Directors' fee HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit costs – defined contribution plan HK$'000	Sub-total HK$'000	Fair value of share options and incentive shares amortised in 2018 HK$'000 (Note 35)	Total HK$'000
Executive directors							
CHENG Wai Chee, Christopher (Chairman)	25	7,728	–	371	8,124	3,594	11,718
CHENG Wai Sun, Edward (Deputy Chairman and Chief Executive)	25	11,837	5,764	576	18,202	3,594	21,796
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	25	4,269	1,016	210	5,520	654	6,174
NG Kar Wai, Kenneth	25	5,685	2,201	277	8,188	1,037	9,225
Non-executive directors							
KWOK Ping Luen, Raymond	70	–	–	–	70	–	70
HONG Pak Cheung, William	70	–	–	–	70	–	70
NG Tak Wai, Frederick	70	–	–	–	70	–	70
CHEN CHOU Mei Mei, Vivien	70	–	–	–	70	–	70
Independent non-executive directors							
Simon MURRAY	340	–	–	–	340	–	340
FANG Hung, Kenneth (Retired on 6 June 2018)	120	–	–	–	120	–	120
YEUNG Kit Shing, Jackson	400	–	–	–	400	–	400
Haider Hatam Tyebjee BARMA	280	–	–	–	280	–	280
CHENG Hoi Chuen, Vincent	340	–	–	–	340	–	340
LAM Kin Fung, Jeffrey (Appointed on 6 June 2018)	159	–	–	–	159	–	159
Total	2,044	29,519	8,981	1,434	41,978	8,879	50,857

10. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Details of the remuneration of every director for the year ended 31 December 2017 are set out below:

Name	Directors' fee HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit costs – defined contribution plan HK$'000	Sub-total HK$'000	Fair value of share options and incentive shares amortised in 2017 HK$'000 (Note 35)	Total HK$'000
Executive directors							
CHENG Wai Chee, Christopher (Chairman)	25	7,257	–	350	7,632	3,393	11,025
CHENG Wai Sun, Edward (Deputy Chairman and Chief Executive)	25	11,133	5,427	544	17,129	3,393	20,522
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	25	4,085	975	202	5,287	643	5,930
NG Kar Wai, Kenneth	25	4,698	1,160	162	6,045	1,317	7,362
Non-executive directors							
KWOK Ping Luen, Raymond	70	–	–	–	70	–	70
HONG Pak Cheung, William	70	–	–	–	70	–	70
NG Tak Wai, Frederick	70	–	–	–	70	–	70
CHEN CHOU Mei Mei, Vivien	70	–	–	–	70	–	70
Independent non-executive directors							
Simon MURRAY	340	–	–	–	340	–	340
FANG Hung, Kenneth	280	–	–	–	280	–	280
YEUNG Kit Shing, Jackson	400	–	–	–	400	–	400
Haider Hatam Tyebjee BARMA	280	–	–	–	280	–	280
CHENG Hoi Chuen, Vincent	340	–	–	–	340	–	340
Total	2,045	27,173	7,562	1,258	38,038	8,746	46,784

Notes:

(i) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(ii) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

(iii) None of the directors has waived any emoluments during the year (2017: Nil).

10. BENEFITS AND INTERESTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group'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 according to section 22 of Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

(c) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals of the Group in 2018 included four (2017: four) executive directors of the Company whose emoluments are included above. The emoluments of the remaining one (2017: one) highest paid individual are as follows:

	2018 HK$'M	**2017 HK$'M**
Salaries and allowances	4.6	4.4
Discretionary bonus	2.1	2.0
Retirement benefits costs – defined contribution plan	0.2	0.2
Fair value of share options and incentive shares amortised	1.3	1.3
	8.2	7.9

The emoluments fell within the following bands:

	Number of individual	
	2018	**2017**
Emoluments bands		
HK$5,000,001 and above	1	1

11. FINANCE COSTS AND FINANCE INCOME

	2018 HK$'M	2017 HK$'M
Finance costs		
Interest expenses on:		
– bank borrowings	85.8	66.9
– fixed rate bonds	90.2	89.9
– other borrowings	5.3	3.8
Total borrowing costs	181.3	160.6
Less: interest capitalised in properties for sale (Note)	(122.9)	(87.5)
	58.4	73.1
Finance income:		
– bank interest income	(34.3)	(12.5)
– other interest income	(12.1)	(21.7)
	(46.4)	(34.2)

Note:

Interest capitalised at rates ranging from 1.7% to 3.9% per annum (2017: 1.4% to 3.3% per annum).

12. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2018 HK$'M	2017 HK$'M
Current taxation		
– Current tax on profits for the year	62.4	91.0
– (Over)/under-provision in prior years	(21.3)	1.9
	41.1	92.9
Deferred taxation (Note 30)		
– Change in fair value of investment properties	3.4	7.9
– Temporary differences on tax depreciation	14.9	1.2
– Recognition of tax losses	(8.5)	(4.8)
– Other temporary differences	1.4	(0.1)
– Under-provision in prior year	0.5	1.5
	11.7	5.7
Income tax expenses	52.8	98.6

12. TAXATION (Continued)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, where majority of the Group's operations were carried out, as follows:

	2018 HK$'M	2017 HK$'M
Profit before taxation	1,432.3	2,101.0
Tax calculated at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	236.3	346.7
Expenses not deductible for tax purpose	43.0	16.2
Income not subject to tax	(202.7)	(267.4)
Net increase in unrecognised tax losses and other temporary differences	16.5	12.1
Utilisation of tax losses not previously recognised	(3.7)	(1.9)
Effect of different tax rates of subsidiaries operating in other jurisdictions	0.8	3.6
(Over)/under-provision in prior years	(20.8)	3.4
Tax effect of share of results of joint ventures	(19.1)	(16.7)
Tax effect of share of results of associates	(0.9)	(1.1)
Net PRC land appreciation tax and other taxes on change in fair value of investment properties (Note)	3.4	3.7
Taxation for the year	52.8	98.6

Note:

PRC land appreciation tax ("LAT") is provided at progressive rates ranging from 30% to 60% (2017: 30% to 60%) on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including costs of land use rights and property development expenditures.

There was no tax charge in relation to components of other comprehensive income during the year (2017: Nil).

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Profit attributable to shareholders of the Company (expressed in HK$'M)	1,312.4	1,981.9
Weighted average number of ordinary shares in issue	1,349,034,977	1,346,045,138
Basic earnings per share	HK$0.97	HK$1.47

13. EARNINGS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares at the beginning of the year. The Company has share options and incentive shares outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and incentive shares.

	2018	2017
Profit attributable to shareholders of the Company (expressed in HK$'M)	1,312.4	1,981.9
Weighted average number of ordinary shares in issue	1,349,034,977	1,346,045,138
Effect of dilutive potential shares issuable under the Company's share option plan and share incentive scheme	1,682,959	2,879,017
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,350,717,936	1,348,924,155
Diluted earnings per share	HK$0.97	HK$1.47

14. DIVIDENDS

	2018 HK$'M	2017 HK$'M
Interim dividend paid on 3 October 2018 of HK6.0 cents (2017: HK4.5 cents) per ordinary share	80.9	60.6
Proposed final dividend of HK21.0 cents (2017: HK22.5 cents) per ordinary share	284.1	303.6
	365.0	364.2

The final dividend is not accounted for as a dividend payable in these financial statements until it has been approved at the forthcoming annual general meeting of the Company.

15. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2018 HK$'M	2017 HK$'M
Net fair value (loss)/gain on derivative financial instruments	(0.7)	45.2
Gain on financial liabilities at fair value through profit or loss classified under other long-term liability (Note 32)	8.1	3.2
Loss on financial investments at fair value through profit or loss	(102.3)	–
	(94.9)	48.4

16. INVESTMENT PROPERTIES

	2018 HK$'M	2017 HK$'M
Investment properties comprise:		
Properties in Hong Kong held on:		
Leases of between 10 and 50 years	19,087.4	17,876.4
Properties outside Hong Kong held on:		
Leases of over 50 years	607.5	665.5
Leases of between 10 and 50 years	85.3	77.0
Freehold properties outside Hong Kong	679.2	698.2
	20,459.4	19,317.1

(a) Valuation processes of the Group

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31 December 2018 and 2017 has been determined on the basis of valuations carried out by independent valuers not related to the Group. The Group engaged Savills Valuation and Professional Services Limited, Jones Long LaSalle Limited, Cushman & Wakefield, Knight Frank Petty Limited and B.I. Appraisals Limited to value its investment properties. Discussion of valuation processes and results are held between the Group's management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date the Group's management:

– verifies all major inputs to the independent valuation report;
– assesses property valuations movements when compared to the prior period valuation report;
– holds discussions with the independent valuers.

Changes in Level 3 fair values are also analysed at each reporting date during the bi-annual valuations discussions date between the Group's management.

(b) Fair value hierarchy

Fair value measurements using significant unobservable inputs (Level 3)

Investment properties within Level 3 fair value hierarchy represent commercial properties, industrial properties and serviced apartments and others where fair values were generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties. As at 31 December 2018 and 2017, all investment properties are under Level 3 measurement.

16. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

Fair value measurements using significant unobservable inputs (Level 3) (Continued)

Movements of investment properties under Level 3 measurements:

	Commercial properties HK$'M	Industrial properties HK$'M	Serviced apartments and others HK$'M	Total HK$'M
At 1 January 2018	16,246.3	930.0	2,140.8	19,317.1
Change in fair value	225.6	24.3	98.5	348.4
Exchange differences	(53.4)	–	(27.1)	(80.5)
Additions	13.5	2.6	73.9	90.0
Transfer from properties under development to investment properties	–	–	784.4	784.4
At 31 December 2018	16,432.0	956.9	3,070.5	20,459.4
At 1 January 2017	17,454.1	2,417.0	2,094.8	21,965.9
Change in fair value	798.9	8.0	26.9	833.8
Exchange differences	87.2	–	40.3	127.5
Additions	31.1	6.6	8.6	46.3
Disposals	–	(1,501.6)	(29.8)	(1,531.4)
Assets classified as held for sale (Note 27)	(2,125.0)	–	–	(2,125.0)
At 31 December 2017	16,246.3	930.0	2,140.8	19,317.1

Significant inputs used to determine fair value of investment properties at 31 December 2018 and 2017:

	Range of significant unobservable inputs		
	Valuation method	Monthly market rents HK$/sq.ft.	Capitalisation rate %
At 31 December 2018			
Commercial properties	Income capitalisation	31 to 77	3.3 to 4.1
Industrial property	Income capitalisation	13	3.2
Serviced apartments and others	Income capitalisation	22 to 111	2.2 to 3.7
At 31 December 2017			
Commercial properties	Income capitalisation	31 to 79	2.9 to 4.2
Industrial property	Income capitalisation	13	3.2
Serviced apartments and others	Income capitalisation	23 to 110	2.3 to 3.5

Market rents are estimated based on valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

17. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Land and buildings HK$'M	Furniture, fixtures and equipment HK$'M	Vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
At cost					
At 1 January 2018	49.1	34.2	38.3	0.8	122.4
Additions	–	1.1	3.9	–	5.0
Disposals	–	(1.4)	(3.6)	(0.8)	(5.8)
At 31 December 2018	49.1	33.9	38.6	–	121.6
Accumulated depreciation and impairment					
At 1 January 2018	4.9	30.1	7.9	0.8	43.7
Provided for the year	0.5	1.7	7.4	–	9.6
Disposals	–	(1.4)	(3.6)	(0.8)	(5.8)
At 31 December 2018	5.4	30.4	11.7	–	47.5
Net book value					
At 31 December 2018	43.7	3.5	26.9	–	74.1
At cost					
At 1 January 2017	49.1	33.6	10.3	1.0	94.0
Additions	–	0.7	28.2	–	28.9
Disposals	–	(0.1)	(0.2)	(0.2)	(0.5)
At 31 December 2017	49.1	34.2	38.3	0.8	122.4
Accumulated depreciation and impairment					
At 1 January 2017	4.3	28.1	5.6	1.0	39.0
Provided for the year	0.6	2.0	2.4	–	5.0
Disposals	–	–	(0.1)	(0.2)	(0.3)
At 31 December 2017	4.9	30.1	7.9	0.8	43.7
Net book value					
At 31 December 2017	44.2	4.1	30.4	–	78.7

18. JOINT VENTURES

	2018 HK$'M	2017 HK$'M
Share of net assets (Note a)	1,920.7	661.7
Non-current loans to joint ventures (Note b)	3,835.7	6,070.7
	5,756.4	6,732.4

Details of the principal joint ventures at 31 December 2018 are set out in Note 44. Contingent liabilities relating to the Group's interest in joint ventures are set out in Note 39.

Notes:

(a) Summarised financial information of material joint ventures

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

(i) Southwater Investments Limited and its subsidiaries ("Southwater Group")

During the year, the Company entered into an agreement with the joint venture partner to change of its equity interest in Southwater Investments Limited from 65% to 50%. After the changes, both the Company and the joint venture partner hold 50% interest of the joint venture. The Group recorded a gain of HK$41.0M in 2018, with proceeds together with repayment of loans to joint ventures received of HK$981.3M.

	For the year ended 31 December	
	2018 HK$'M	2017 HK$'M
Revenue	3.7	–
Profit from operations	–	–
Profit and total comprehensive income for the year	–	–

	2018 HK$'M	2017 HK$'M
Current assets	10,632.5	10,323.9
Current liabilities	(128.4)	(4,123.0)
Non-current liabilities	(8,235.6)	(6,200.9)
Net assets of Southwater Group	2,268.5	–
The above amounts include:		
Bank balances and cash	11.3	10.0
Current financial liabilities (excluding trade and other payables and provisions)	(1.2)	(4,122.3)
Non-current financial liabilities (excluding trade and other payables and provisions)	(8,235.6)	(6,200.9)

18. JOINT VENTURES (Continued)

Notes: (Continued)

(a) Summarised financial information of material joint ventures (Continued)

(i) Southwater Investments Limited and its subsidiaries ("Southwater Group") (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated balance sheet:

	2018 HK$'M	2017 HK$'M
Net assets of Southwater Group	2,268.5	–
Proportion of the Group's ownership interest in Southwater Group	50%	65%
Carrying amount of the Group's interest in Southwater Group	1,134.3	–
Loan to Southwater Group	2,000.0	4,030.8
Carrying amount of the Group's interest and loan to Southwater Group	3,134.3	4,030.8

(ii) Kingswood Edge Limited and its subsidiaries ("Kingswood Group")

During the year, the Group formed a joint venture company, Kingswood Edge Limited with an independent third party. The joint venture company is 50% owned by each joint venture shareholder. The joint venture company then acquired 100% equity interest of 30 Gresham Street (Jersey) Limited and its subsidiary ("Jersey SPV Group"). Jersey SPV Group is principally engaged in property investment business in the United Kingdom and holding of the commercial property at 30 Gresham Street, London. The aggregate value of the consideration including the repayment of shareholder loan is approximately £411M (equivalent to approximately HK$4,100M), subject to finalisation of the completion account of Jersey SPV Group at the date of acquisition and will be finalised in May 2019. The acquisition was completed on 20 December 2018.

The summarised financial information of Kingswood Group is set out below:

	For the year ended 31 December 2018 £'M	 HK$'M
Revenue	0.6	5.5
Loss from operations	(0.6)	(6.0)
Loss and total comprehensive income for the year	(1.2)	(11.8)
Finance costs	(0.6)	(6.1)

18. JOINT VENTURES (Continued)

Notes: (Continued)

(a) Summarised financial information of material joint ventures (Continued)

(ii) Kingswood Edge Limited and its subsidiaries ("Kingswood Group") (Continued)

	At 31 December 2018 £'M	At 31 December 2018 HK$'M
Non-current assets	419.4	4,166.8
Current assets	10.9	108.2
Current liabilities	(300.0)	(2,980.8)
Non-current liabilities	(131.5)	(1,305.9)
Net liabilities of Kingswood Group	(1.2)	(11.7)
The above amounts include:		
Bank balances and cash	5.9	58.7
Current financial liabilities (excluding trade and other payables and provisions)	(289.7)	(2,878.3)
Non-current financial liabilities (excluding trade and other payables and provisions)	(127.9)	(1,270.9)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated balance sheet:

	At 31 December 2018 £'M	At 31 December 2018 HK$'M
Net liabilities of Kingswood Group	(1.2)	(11.7)
Proportion of the Group's ownership interest in Kingswood Group	50%	50%
Carrying amount of the Group's interest in Kingswood Group	(0.6)	(5.9)
Loan to Kingswood Group	62.1	616.8
Carrying amount of the Group's interest and loan to Kingswood Group	61.5	610.9

18. JOINT VENTURES (Continued)

Notes: (Continued)

(a) Summarised financial information of material joint ventures (Continued)

(ii) Kingswood Edge Limited and its subsidiaries ("Kingswood Group") (Continued)

At 20 December 2018, i.e., the date of acquisition, the summarised financial information of Jersey SPV Group is set out below:

	At 20 December 2018	
	£'M	HK$'M
Assets		
Investment property	411.5	4,088.3
Trade and other receivables and prepayments	16.6	164.5
Bank balances and cash	1.9	19.0
	430.0	4,271.8
Liabilities		
Other payables	(11.3)	(111.6)
Tax payables	(0.5)	(4.5)
Shareholder loans	(200.0)	(1,987.0)
	(211.8)	(2,103.1)
Net assets of Jersey SPV Group	218.2	2,168.7

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated balance sheet:

	At 20 December 2018	
	£'M	HK$'M
Net assets of Jersey SPV Group	218.2	2,168.7
Proportion of the Group's ownership interest in Jersey SPV Group	50%	50%
Carrying amount of the Group's interest in Jersey SPV Group	109.1	1,084.4

Functional and presentation currency of Kingswood Group and Jersey SPV Group is denominated in UK pounds and the exchange rate for the consolidated income statement and consolidated balance sheet of UK pounds to HK dollars was 9.9.

18. JOINT VENTURES (Continued)

Notes: (Continued)

(a) Summarised financial information of material joint ventures (Continued)

(iii) Aggregate information of the Group's share of results of its joint ventures that are not individually material:

	2018 HK$'M	2017 HK$'M
Profit from operations	182.4	157.8
Profit for the year	121.5	101.5
Other comprehensive income	0.4	(2.2)
Total comprehensive income	121.9	99.3

(b) Loans to joint ventures are unsecured and approximate their fair value. Other than loans of HK$501.1M (2017: HK$647.3M) which bear interest at a fixed rate of 2% (2017: 2% – 5%) per annum, the remaining balances are interest free.

They are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
HK dollars	3,680.3	5,675.7
UK pounds	824.4	231.7
Malaysian Ringgits	126.9	163.3
	4,631.6	6,070.7
Analysed as		
Non-current	3,835.7	6,070.7
Current	795.9	–
	4,631.6	6,070.7

19. ASSOCIATES

	2018 HK$'M	2017 HK$'M
Share of net assets (Note b)	16.0	14.7
Loans to associates (Note c)	22.4	14.7
	38.4	29.4

Notes:

(a) Details of the principal associates at 31 December 2018 are as follows:

Name of associate	Place of incorporation/ operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
China Merchants International Cold Chain (Shenzhen) Company Ltd.	People's Republic of China	30%	Cold storage

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

(b) Aggregate information of the Group's share of revenue, results, and net assets of its associates that are not individually material to the Group:

	2018 HK$'M	2017 HK$'M
Revenue	25.4	21.1
Profit for the year	5.2	6.9
Other comprehensive income	(0.7)	2.4
Total comprehensive income	4.5	9.3
Net assets	16.0	14.7

19. ASSOCIATES (Continued)

Notes: (Continued)

(c) Loans to associates are unsecured and not repayable within one year. All balances as at 31 December 2018 and 2017 are interest free.

They are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
Renminbi	22.4	14.5
HK dollars	–	0.2
	22.4	14.7

As at 31 December 2018, an aggregate loan amount with principal balance of HK$27.0M (2017: HK$27.7M) has been cumulatively impaired by HK$4.6M (2017: HK$13.0M).

20. FINANCIAL INVESTMENTS AT AMORTISED COST

	2018 HK$'M	2017 HK$'M
Corporate bonds listed overseas (Note a)	335.5	–
Certificate of deposits (Note b)	248.3	–
	583.8	–
Analysed as		
Non-current	335.5	–
Current	248.3	–
	583.8	–

Notes:

(a) At 31 December 2018, the corporate bonds listed overseas with maturity between one to two years are HK$60.4M which carry fixed interest rates ranging from 5.3% to 9.1%. The corporate bonds listed overseas with maturity between two to four years are HK$275.1M which carry fixed interest rates ranging from 2.8% to 5.9%.

(b) At 31 December 2018, the certificate of deposits with maturity within one year carry fixed interest rates ranging from 2.5% to 3.3%.

20. FINANCIAL INVESTMENTS AT AMORTISED COST (Continued)

Notes: (Continued)

(c) The financial investments at amortised cost are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
United States dollars	533.2	–
HK dollars	50.6	–
	583.8	–
Market value of financial investments at amortised cost	578.6	–

The market value was determined by reference to published price quotations in an active market. They are classified as Level 1 in the fair value hierarchy.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'M	2017 HK$'M
REIT investments listed overseas	–	529.2
Others	–	0.7
	–	529.9

Note:

The available-for-sale financial assets are listed and denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
The available-for-sale financial assets are listed in:		
– Singapore	–	529.7
– United Kingdom	–	0.2
	–	529.9
The available-for-sale financial assets are denominated in the following currencies:		
– Singapore dollars	–	529.7
– UK pounds	–	0.2
	–	529.9
Market value of available-for-sales financial assets listed overseas	–	529.9

The above investments have been reclassified to financial investments at fair value through profit or loss on adoption of HKFRS 9 Financial Instruments in 2018.

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'M	2017 HK$'M
REIT investments listed overseas (Note a and b)	429.7	–
Debt securities listed overseas (Note c)	123.6	–
Unlisted fund investments (Note d)	84.7	–
Others (Note a)	0.5	–
	638.5	–
Analysed as		
Non-current	553.8	–
Current	84.7	–
	638.5	–

Notes:

(a) The investments have been reclassified to financial investments at fair value through profit or loss upon adoption of HKFRS 9 Financial Instruments in 2018.

(b) The REIT investments represent the Group's investment in Suntec Real Estate Investment Trust ("Suntec REIT"), which is incorporated and listed in Singapore. Suntec REIT principally owns office and retail properties and convention centres in Singapore and Australia.

(c) The debt securities listed overseas represent the Group's investment in perpetual bonds with fixed interest at rates ranging from 5.5% to 7.6%.

(d) Unlisted fund investments represent money market fund held with licensed banks with fixed interest at rates ranging from 1.9% to 2.4%.

(e) The Group classifies the following financial investments at FVPL:

- Debt investments that do not qualify for measurement at either amortised cost (Note 20) or FVOCI,
- Equity investments that are held for trading, and
- Equity investments for which the Group has not elected to recognise fair value gains and losses through OCI.

(f) The financial investments at fair value through profit or loss are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
Singapore dollars	430.2	–
United States dollars	194.2	–
Renminbi	14.1	–
	638.5	–

23. PROPERTIES FOR SALE

	2018 HK$'M	2017 HK$'M
Properties for/under development held for sale (Note)	4,000.4	3,848.4
Completed properties	6.0	7.8
	4,006.4	3,856.2

Note:

The amount of properties for/under development held for sale expected to be recovered after more than one year is HK$4,000.4M (2017: HK$3,848.4M).

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'M	2017 HK$'M
Trade receivables	18.6	55.2
Deferred rent receivables	12.3	10.7
Amounts due from joint ventures	10.1	76.4
Loans to joint ventures (Note 18(b))	795.9	–
Other receivables, deposits and prepayments	81.4	71.5
Proceeds receivable from disposals of investment properties	–	1,888.9
	918.3	2,102.7

Notes:

(a) The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.

(b) The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. Sales proceeds receivable from sale of properties are settled in accordance with the terms of respective contracts. The following is an ageing analysis of the Group's trade receivables (net of provision) at 31 December, based on the invoice dates:

	2018 HK$'M	2017 HK$'M
0 – 30 days	15.1	48.0
31 – 90 days	1.1	4.1
Over 90 days	2.4	3.1
	18.6	55.2

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(c) As of 31 December 2018, HK$1.7M of trade receivables were impaired (2017: Nil).

(d) The trade receivables (net of provision) are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
HK dollars	8.0	43.6
Other currencies	10.6	11.6
	18.6	55.2

(e) The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above. At 31 December 2018, there was no trade receivables in respect of property sales (2017: HK$33.1M) and the collection is closely monitored to minimise any credit risk associated with these trade receivables.

(f) Amounts due from and loans to joint ventures are unsecured and repayable on demand. All balances were interest free as at 31 December 2018. As at 31 December 2017, other than amounts of HK$63.9M which bore interest at a floating rate of approximately 3% per annum, the remaining balances were interest free.

(g) At 31 December 2018, none of the other receivables and deposits was past due nor contained impaired assets (2017: Nil).

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets HK$'M	Liabilities HK$'M	Assets HK$'M	Liabilities HK$'M
Interest rate swap contracts (Note)				
– cash flow hedges	1.4	–	1.2	–
– not qualifying as hedges	1.4	(11.9)	0.9	(20.1)
	2.8	(11.9)	2.1	(20.1)
Cross currency swap contracts (Note)				
– cash flow hedges	–	(108.6)	–	(96.2)
– net investment hedges	13.6	–	6.4	–
– not qualifying as hedges	31.8	(1.6)	41.3	(0.9)
	45.4	(110.2)	47.7	(97.1)
Forward exchange contracts (Note)				
– net investment hedges	4.7	(6.9)	–	(9.1)
– not qualifying as hedges	1.9	–	–	(0.3)
	6.6	(6.9)	–	(9.4)
	54.8	(129.0)	49.8	(126.6)
Analysed as				
Non-current	49.5	(107.2)	49.3	(101.4)
Current	5.3	(21.8)	0.5	(25.2)
	54.8	(129.0)	49.8	(126.6)

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Note:

The notional amounts of derivative financial instruments outstanding at 31 December were as follows:

	2018 HK$'M	2017 HK$'M
Interest rate swap contracts	705.4	749.4
Cross currency swap contracts	2,105.5	2,124.6
Forward exchange contracts	760.9	131.6

The portion of changes in fair value of derivative financial instruments not qualify as hedges are recognised in the consolidated income statement and amounted to loss of HK$0.7M (2017: gain of HK$45.2M).

Maturity date of derivative financial instruments ranges from January 2019 to November 2028 (2017: January 2018 to August 2027).

At 31 December 2018, the fixed interest rates under interest rate swap contracts ranges from 0.5% to 1.9% (2017: 0.5% to 1.9%) per annum and the floating rate is London Interbank Offered Rate (LIBOR). The effective portion of gains and losses on interest rate swap contracts qualifying for hedge accounting are recognised in the hedging reserve in equity and are released to the consolidated income statement to match relevant interest payments which are mainly calculated using Hong Kong Interbank Offered Rate (HIBOR) upon maturity. At 31 December 2018, forward rate under forward exchange contracts mainly on GBP ranges from 9.9 to 10.9 (2017: 9.6 to 9.9) and hedged rate under cross currency swap contracts mainly on SGD ranges from 5.7 to 6.3 (2017: 5.7 to 6.3).

The Group's hedging reserve related to the following hedging instruments:

	Cash flow hedge reserve HK$'M	Net investment hedge reserve HK$'M	Share of hedging reserve of a joint venture HK$'M	Total hedging reserve HK$'M
At 1 January 2018	(14.1)	2.4	(2.5)	(14.2)
Change in fair value of hedging instruments recognised in OCI	(12.2)	10.9	–	(1.3)
Change in value of hedged items	19.2	(5.4)	–	13.8
Others	–	0.4	2.0	2.4
At 31 December 2018	(7.1)	8.3	(0.5)	0.7
At 1 January 2017	(37.8)	6.6	(4.4)	(35.6)
Change in fair value of hedging instrument recognised in OCI	107.0	(18.2)	–	88.8
Change in value of hedged items	(83.3)	11.3	–	(72.0)
Others	–	2.7	1.9	4.6
At 31 December 2017	(14.1)	2.4	(2.5)	(14.2)

26. BANK BALANCES AND CASH

Cash and cash equivalents for the purpose of the consolidated cash flow statement include the following:

	2018 HK$'M	2017 HK$'M
Bank balances and cash	2,873.6	654.2
Less: Deposits with maturity of more than three months	(273.3)	(8.2)
Cash and cash equivalents in consolidated cash flow statement	2,600.3	646.0

Bank balances and cash include short-term bank time deposits of HK$1,673.1M (2017: HK$425.2M) with an average interest rate of 2.5% (2017: 1.5%) per annum.

Cash and short-term deposits of HK$20.8M (2017: HK$19.0M) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividend.

The Group's bank balances and cash are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
HK dollars	2,519.5	592.0
Renminbi	33.9	26.5
Singapore dollars	16.5	21.8
UK pounds	7.7	10.3
US dollars	296.0	3.6
	2,873.6	654.2
Maximum exposure to credit risk	2,872.9	653.2

27. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

The following assets and liabilities were reclassified as held for sale in relation to the disposal of subsidiaries as at 31 December 2017:

	2017 HK$'M
Assets classified as held for sale	
Investment property (Note)	2,125.0
Trade and other receivables, deposits and prepayments	1.5
Bank balances and cash	5.2
	2,131.7
Liabilities directly associated with assets classified as held for sale	
Trade and other payables and accruals	(18.8)
Tax payables	(0.3)
Deferred tax liabilities	(20.2)
	(39.3)

In January 2018, the Group disposed of its entire interest in W Square, an office and retail complex located in Wan Chai, with a gross floor area of approximately 129,000 square feet. The disposal was completed in May 2018. Disposal gain was arrived as follows:

	2018 HK$'M
Initial consideration	2,848.8
Less: Completion adjustments upon closing	(38.5)
Bank balances and cash disposed	(0.8)
Net proceeds from disposal of subsidiaries	2,809.5
Less: Net asset value of subsidiaries	(2,085.7)
Transaction cost	(30.5)
Gain on disposal of subsidiaries	693.3

Note:

The investment property is within Level 3 fair value hierarchy. As at 31 December 2017, the fair value of investment property was determined by income capitalisation method. The significant inputs used to determine fair value of investment property are monthly market rent and capitalisation rate which are HK$37 per square feet and 2.8% respectively.

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 HK$'M	2017 HK$'M
Trade payables	116.8	21.3
Rental deposits received	161.9	185.5
Construction costs payable	90.8	100.8
Amounts due to joint ventures	559.9	442.7
Provision for other costs arising from disposal of a joint venture and subsidiaries	7.3	8.6
Other creditors and accruals	217.9	153.4
	1,154.6	912.3

The ageing analysis of the Group's trade payables based on invoice date at 31 December is as follows:

	2018 HK$'M	2017 HK$'M
0 – 30 days	113.1	11.3
31 – 90 days	3.1	9.5
Over 90 days	0.6	0.5
	116.8	21.3

The carrying values of the Group's trade and other payables approximate their fair values.

Trade payables are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
HK dollars	116.8	21.3

Included in other payables and accruals are balances of HK$30.0M (2017: HK$32.8M) and HK$8.4M (2017: HK$13.5M) which are denominated in UK pounds and Renminbi respectively. The remaining balances are mainly denominated in HK dollars.

Amounts due to joint ventures are unsecured, interest-free and repayable on demand.

29. BANK AND OTHER BORROWINGS

	2018 HK$'M	2017 HK$'M
Bank borrowings (Note a)	3,024.1	4,161.7
Fixed rate bonds (Note b)	1,850.4	1,866.3
Loans from non-controlling interests	160.0	156.1
	5,034.5	6,184.1

The maturity of the bank and other borrowings are as follows:

	2018 HK$'M	2017 HK$'M
Within one year	1,295.3	1,401.5
Between one and two years	109.6	1,134.3
Between two and five years	3,338.8	2,775.9
After five years	290.8	872.4
	5,034.5	6,184.1
Less: Amounts due within one year shown under current liabilities	(1,295.3)	(1,401.5)
Amounts due after one year	3,739.2	4,782.6

	2018 HK$'M	2017 HK$'M
Analysed as		
Secured	3,024.1	3,406.6
Unsecured	2,010.4	2,777.5
	5,034.5	6,184.1

29. BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
HK dollars	3,377.7	4,452.0
Singapore dollars	973.1	990.9
UK pounds	619.2	667.3
Renminbi	64.5	73.9
	5,034.5	6,184.1

Notes:

(a) Bank facilities are secured by certain properties and financial investments at fair value through profit or loss (2017: available-for-sale financial assets) of the Group amounting to HK$7,953.7M (2017: HK$8,057.4M) (Note 40). The bank borrowings bear interests at floating interest rates.

(b) Details of the Group's fixed rate bonds at 31 December 2018 are as follows:

Principal amount	Coupon rate per annum	Coupon payment term	Issue date	Maturity date	Note
SGD170 million*	4.25%	semi-annual basis	29 November 2012	29 November 2022	(d)
HK$480 million	3.95%	quarterly basis	25 January 2013	25 January 2023	–
HK$100 million	3.80%	quarterly basis	24 May 2013	24 May 2023	(e)
HK$100 million	4.30%	quarterly basis	8 August 2014	8 August 2021	–
HK$100 million	4.10%	quarterly basis	6 October 2014	6 October 2021	–
HK$100 million	4.50%	quarterly basis	27 November 2014	27 November 2024	–

* Listed on Singapore Exchange Limited (SGD represents Singapore dollars)

All the above fixed rate bonds are guaranteed by the Company.

(c) At 31 December 2018 and 2017, the bank and other borrowings have an average effective interest rate of 3.5% (2017: 2.9%) per annum.

(d) As at 31 December 2018 and 2017, the Group had cross currency swap arrangements with banks to swap the fixed rate bonds of principal SGD170 million and the relevant interest payments to Hong Kong dollar to match the currency exposures of the fixed rate bonds.

(e) As at 31 December 2018 and 2017, the Group had cross currency swap arrangements with a bank to swap the fixed rate bonds of principal HK$100 million and the relevant interest payments to UK pounds to match the currency exposures of one of the Group's UK investments.

(f) The carrying amounts of fixed rate bonds approximate their fair values.

30. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxation relates to the same fiscal authority. The amounts shown on the consolidated balance sheet are as follows:

	2018 HK$'M	2017 HK$'M
Deferred tax liabilities	335.3	322.9
Deferred tax assets	(20.9)	(13.4)
	314.4	309.5

The gross movements of the deferred tax liabilities/(assets) recognised are as follows:

	Tax depreciation HK$'M	Revaluation of properties HK$'M	Tax losses HK$'M	Others HK$'M	Total HK$'M
At 1 January 2018	191.2	127.9	(12.9)	3.3	309.5
Exchange adjustments	–	(6.4)	0.1	–	(6.3)
Charge/(credit) to the consolidated income statement for the year (Note 12)	15.4	3.4	(8.5)	1.4	11.7
Disposal of a subsidiary	(0.5)	–	–	–	(0.5)
At 31 December 2018	206.1	124.9	(21.3)	4.7	314.4
At 1 January 2017	208.7	113.9	(7.9)	3.4	318.1
Exchange adjustments	–	9.2	(0.2)	–	9.0
Charge/(credit) to the consolidated income statement for the year (Note 12)	2.7	7.9	(4.8)	(0.1)	5.7
Disposal of a subsidiary	–	(3.1)	–	–	(3.1)
Reclassify to liabilities directly associated with assets classified as held for sale (Note 27)	(20.2)	–	–	–	(20.2)
At 31 December 2017	191.2	127.9	(12.9)	3.3	309.5

At 31 December 2018, the Group has unused tax losses and other temporary differences of approximately HK$1,369.1M (2017: HK$1,293.6M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$126.1M (2017: HK$75.4M) of such unused tax losses for which the realisation of the related tax benefit through the future taxable profits is probable. No deferred tax asset has been recognised in respect of the remaining tax losses and other temporary differences of HK$1,243.0M (2017: HK$1,218.2M) due to the unpredictability of future profit streams of some of the subsidiaries. Included in unrecognised tax losses are losses of HK$19.4M (2017: HK$34.4M) that will expire in the next five years. Other losses may be carried forward indefinitely.

At 31 December 2018 and 2017, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

Deferred taxation at the balance sheet date is mainly expected to be realised or settled after more than 12 months.

31. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

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

	Bank borrowings HK$'M (Note 29)	Fixed rate bonds HK$'M (Note 29)	Loan from non-controlling interests HK$'M (Note 29)	Other long-term liability HK$'M (Note 32)	Derivative financial instruments HK$'M (Note 25)	Total HK$'M
As at 1 January 2018	4,161.7	1,866.3	156.1	57.7	76.8	6,318.6
Financing cash outflows	(1,100.3)	–	–	–	(4.0)	(1,104.3)
Net fair value loss on derivative financial instruments	–	–	–	–	0.7	0.7
Change in fair value of hedging instruments recognised in OCI	–	–	–	–	1.3	1.3
Gain on financial liabilities at fair value through profit or loss classified under long-term liability	–	–	–	(8.1)	–	(8.1)
Exchange differences	(38.9)	(19.2)	–	–	(0.6)	(58.7)
Others	1.6	3.3	3.9	(0.9)	–	7.9
As at 31 December 2018	3,024.1	1,850.4	160.0	48.7	74.2	5,157.4
As at 1 January 2017	3,251.1	1,780.0	153.7	62.7	203.5	5,451.0
Financing cash inflows	841.7	–	–	–	7.0	848.7
Net fair value gain on derivative financial instruments	–	–	–	–	(45.2)	(45.2)
Change in fair value of hedging instruments recognised in OCI	–	–	–	–	(88.8)	(88.8)
Gain on financial liabilities at fair value through profit or loss classified under long-term liability	–	–	–	(3.2)	–	(3.2)
Exchange differences	73.7	83.3	–	–	0.3	157.3
Others	(4.8)	3.0	2.4	(1.8)	–	(1.2)
As at 31 December 2017	4,161.7	1,866.3	156.1	57.7	76.8	6,318.6

32. OTHER LONG-TERM LIABILITY

Other long-term liability represents provision for liabilities in relation to indemnifying the purchaser against the cost of winding up the pension scheme of Gieves & Hawkes Group in the disposal of Gieves & Hawkes Group in 2012. The amount is measured at fair value and the key assumptions include investment return of 1.5% (2017: 1.3%), price inflation of 3.4% (2017: 3.4%), pension increases of 2.9% to 3.8% (2017: 2.8% to 3.9%) and a number of demographic assumptions have been used in the fair value estimates. There is unconditional right to defer payment for more than 12 months.

33. SHARE CAPITAL

	Number of ordinary shares of HK$0.50 each	Amount HK$'M
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2018	1,346,156,279	673.1
Issue of shares on exercise of share options and incentive shares (Note 35)	3,001,750	1.5
At 31 December 2018	1,349,158,029	674.6
At 1 January 2017	1,343,476,279	671.7
Issue of shares on exercise of share options and incentive shares (Note 35)	2,680,000	1.4
At 31 December 2017	1,346,156,279	673.1

34. PERPETUAL CAPITAL SECURITIES

Under the US$1 billion Medium Term Note Programme, Wing Tai Properties (Finance) Limited, a wholly-owned subsidiary of the Group, issued S$260 million 4.35% unrated senior guaranteed perpetual capital securities (the "Securities") which are listed on Singapore Exchange Securities Trading Limited in 2017. The aggregate net proceeds after transaction cost is HK$1,478.2M.

The Group accounted for the Securities as equity instruments pursuant to HKFRS issued by the HKICPA for the purposes of the Group's consolidated financial statements.

35. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME

(a) On 27 October 2015, the Company adopted a Share Option Plan ("Share Option Plan"), under which, the Board of Directors of the Company (the "Board") or a duly authorised committee thereof (the "Committee"), may in its absolute discretion, grant options to any eligible participants to subscribe for shares of the Company.

In according with the requirements of the Listing Rules, a summary of the Share Option Plan is set out below:-

i) Purpose
The purpose of the Share Option Plan is to facilitate the grant of options over shares by the Company to persons selected at the discretion of the Board in order to incentivise and retain such persons.

ii) Participants
The Board or the Committee may determine at its sole discretion, on a general or case-by-case basis, a person is eligible to be granted an option if he is a director, employee, officer, consultant, former director, former employee, former officer or former consultant of any member of the Group.

iii) Total number of shares available for issue
As at the date of this annual report, the total number of shares available for issue in respect of which options may be granted under the Share Option Plan is 121,492,502, representing approximately 8.98% of the shares in issue as at that date.

iv) Maximum entitlement of each participant
Subject always to the Listing Rules, the total number of shares issued and to be issued upon exercise of share options granted and to be granted to each participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares in issue.

v) Period within which the shares must be taken up
Any options granted but not exercised within the exercise period should be cancelled. The exercise period in relation to an option is the period which starts on the vesting date and ends on the day before the tenth anniversary of the date of grant unless the Board or the Committee sets a shorter period at the time of grant.

vi) Minimum period for which an option must be held before it can be exercised
The Share Option Plan does not specify a minimum period for which an option must be held before it can be exercised unless the Board or the Committee specifies a minimum period at the time of grant.

vii) Offer and acceptance
Options granted must be accepted within 28 days from the date of grant. A consideration of HK$1 is payable on acceptance of the grant of options.

viii) Basis of determining the exercise price
The exercise price for an option shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant.

ix) Remaining life
The Share Option Plan will expire on 26 October 2025.

35. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME (Continued)

(a) (Continued)

Details of the share options granted pursuant to the Share Option Plan during the year are as follows:

	Date of grant	Exercise price per share options HK$	Number of share options				
			As at 1.1.2018	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2018
Director							
CHENG Wai Chee, Christopher	18.3.2016	4.48	741,750	–	(247,250)	–	494,500
	13.1.2017	4.75	995,000	–	(248,750)	–	746,250
	27.3.2018	6.10	–	890,000	–	–	890,000
CHENG Wai Sun, Edward	18.3.2016	4.48	741,750	–	(247,250)	–	494,500
	13.1.2017	4.75	995,000	–	(248,750)	–	746,250
	27.3.2018	6.10	–	890,000	–	–	890,000
CHOW Wai Wai, John	18.3.2016	4.48	138,750	–	(46,250)	–	92,500
	13.1.2017	4.75	183,000	–	(45,750)	–	137,250
	27.3.2018	6.10	–	160,000	–	–	160,000
NG Kar Wai, Kenneth	18.3.2016	4.48	42,000	–	(14,000)	–	28,000
	13.1.2017	4.75	53,000	–	(13,250)	–	39,750
	27.3.2018	6.10	–	41,000	–	–	41,000
Employees	18.3.2016	4.48	652,500	–	(217,500)	–	435,000
	13.1.2017	4.75	960,000	–	(240,000)	–	720,000
	27.3.2018	6.10	–	804,000	–	–	804,000
Total			5,502,750	2,785,000	(1,568,750)	–	6,719,000

The Share Option Plan shall be valid and effective for a period of 10 years commencing from its date of adoption. The Company will provide subscription money to the option holders in the event that they exercise their share options when the closing market price of the Company's shares on the exercise day is equal to or higher than the exercise price of share options concerned.

(b) Fair values of share options granted

The fair values of share options granted during the year ended 31 December 2018 are determined using the Binominal Model (the "Model"). Key assumptions of the Model are as follows:

Risk-free rate	1.96%
Expected dividend yield	4.44%
Expected volatility of the market price of the Company's shares	33.18%
Expected life	10 years from the date of grant
Estimated fair value per share option	HK$1.02

The Model requires the input of subjective assumptions, including the volatility of share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of share options.

35. SHARE OPTION PLAN AND SHARE INCENTIVE SCHEME (Continued)

(c) Under a Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof had made offers of awards to selected employees (including executive directors of the Company) of the Group ("Eligible Employees") to subscribe in cash at par for shares of the Company. The Company will provide to the Eligible Employees the funds required to subscribe for the shares issued under the Share Incentive Scheme.

The Share Incentive Scheme expired on 16 June 2015 and no further incentive shares can be granted under the Share Incentive Scheme but the provisions of the Share Incentive Scheme remain in full force and effect in all other respects in relation to the incentive shares granted. All outstanding incentive shares granted and yet to be vested and exercised shall remain valid. As at the date of this report, the maximum number of shares of the Company which may be issued pursuant to the Share Incentive Scheme shall be 530,000 representing approximately 0.04% of the issued share capital of the Company.

During the year, details of the outstanding incentive shares awarded pursuant to the Share Incentive Scheme are as follows:

		Number of incentive shares		
	Date of award	**As at 1.1.2018**	**Vested and exercised during the year**	**As at 31.12.2018**
Director				
CHENG Wai Chee, Christopher	28.5.2015	384,500	(384,500)	–
CHENG Wai Sun, Edward	28.5.2015	384,500	(384,500)	–
CHOW Wai Wai, John	28.5.2015	80,500	(80,500)	–
NG Kar Wai, Kenneth	15.6.2015	1,166,000	(212,000)	954,000
Employees	28.5.2015	371,500	(371,500)	–
Total		2,387,000	(1,433,000)	954,000

The incentive shares awarded are subject to a vesting scale of 25%, 25% and 50% starting respectively from the first anniversary, the second anniversary and the third anniversary of the date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the date of award.

During the year ended 31 December 2018, no incentive shares (2017: Nil) were awarded and 1,433,000 (2017:1,897,500) incentive shares were vested and exercised.

The weighted average closing price of the shares immediately before the dates on which incentive shares were exercised HK$5.44 (2017: HK$4.74).

36. RESERVES

Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity.

Nature and purpose of reserves

(a) Share premium

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

(b) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges and net investment hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges and net investment hedges in Note 2(o).

(c) Investment revaluation reserve (until 31 December 2017)

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 2(l).

(d) Employee share-based compensation reserve

The employee share-based compensation reserve comprises the cumulative value of employee services received for the grant of share options and incentive shares, which is transferred to share premium upon exercise of share options and incentive shares.

(e) Other property revaluation reserve

Other property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in Note 2(g).

(f) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(f).

(g) Contributed surplus

The balance of contributed surplus of the Group arose as a result of gains on bargain purchases rising from changes in ownership interests in subsidiaries that do not result in a change of control, which is dealt with in accordance with the accounting policy in Note 2(b).

37. OPERATING LEASES

As lessee

	2018 HK$'M	2017 HK$'M
Minimum lease payments charged to the consolidated income statement during the year		
– land and buildings	4.4	0.6

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2018, the future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2018 HK$'M	2017 HK$'M
For buildings		
– Within one year	1.8	0.3
– After one year and not later than five years	0.2	–
	2.0	0.3

As lessor

The Group's investment properties are held for rental purposes. Rental income is fixed and predetermined. The majority of the relevant tenancy periods range from 2 to 3 years. At 31 December 2018, the amount of future rental receivable by the Group is analysed as follows:

	2018 HK$'M	2017 HK$'M
Within one year	474.8	585.5
After one year and not later than five years	451.5	478.0
Over five years	74.6	85.1
	1,000.9	1,148.6

38. COMMITMENTS

	2018 HK$'M	2017 HK$'M
Expenditure in respect of investment properties		
– contracted but not provided for	7.4	9.2
Expenditure in respect of investment properties through joint ventures		
– contracted but not provided for	0.3	11.9
Capital injection to joint ventures		
– contracted but not provided for	260.7	398.8
	268.4	419.9

39. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES

	2018 HK$'M	2017 HK$'M
Guarantees given to banks in respect of bank facilities extend to joint ventures	8,080.6	5,222.6

At 31 December 2018, bank loans of HK$6,064.0M (2017: HK$4,870.1M) being guaranteed by the Group to joint ventures have been drawn down.

40. PLEDGE OF ASSETS

(a) At 31 December 2018, the Group's advances to joint ventures of HK$3,634.8M (2017: HK$5,285.1M) were subordinated to loans facilities of joint ventures and assigned. The joint ventures are engaged in property development and property investment and management. The shares in these joint ventures beneficially owned by the Group are pledged to financial institutions.

(b) At 31 December 2018, several of the Group's assets were pledged to secure credit facilities for the Group:

	2018 HK$'M	2017 HK$'M
Investment properties	3,863.7	3,843.7
Properties for sale	3,793.3	3,848.4
Financial investment at fair value through profit or loss	296.7	–
Available-for-sale financial assets	–	365.3
	7,953.7	8,057.4

The credit facilities were utilised to the extent of HK$3,024.1M (2017: HK$3,406.6M).

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2018 HK$'M	2017 HK$'M
Key management compensation (Note)		
Salaries and other benefits	(40.6)	(36.8)
Retirement benefits costs	(1.4)	(1.3)
Value of share options and incentive shares	(8.9)	(8.7)
	(50.9)	(46.8)
Interest income from loans to and amounts due from joint ventures	12.1	15.8
Interest expenses for loans from non-controlling interest	(3.8)	(2.4)
Sales and marketing service fee income from joint ventures	5.5	8.9
Serviced apartment management and license fee income from a joint venture	2.0	2.0
Serviced apartment management and license fee income from a substantial shareholder of the Company	2.0	1.4
Project management fee income from joint ventures	13.5	0.5
Property rental income from joint ventures	–	4.2
Property rental income from a substantial shareholder of the Company	5.4	5.2

These transactions were carried out on terms mutually agreed between the parties involved.

The related party transactions in respect of serviced apartment management and license fee income from a joint venture and a substantial shareholder of the Company and property rental income from a substantial shareholder of the Company as stated above constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. These related party transactions that constituted continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules and details of which are provided in the section headed "Connected Transactions" in the Directors' Report.

Note:

Key management personnel represents the directors of the Group and their remunerations are set out in Note 10(a).

(b) Outstanding balances with these related parties at the balance sheet dates are:

	2018 HK$'M	2017 HK$'M
Non-current loans to joint ventures (Note 18(b))	3,835.7	6,070.7
Current loans to joint ventures (Note 24)	795.9	–
Amounts due from joint ventures (Note 24)	10.1	76.4
Amounts due to joint ventures (Note 28)	559.9	442.7
Non-current loans to associates (Note 19)	22.4	14.7

Details of loans repaid during the year are disclosed in the consolidated cash flow statement.

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		At 31 December 2018 HK$'M	2017 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		10,213.8	6,235.8
Current assets			
Other receivables and prepayments		0.7	0.6
Bank balances and cash		4.0	0.4
		4.7	1.0
Current liabilities			
Other payables		9.7	8.1
NET ASSETS		10,208.8	6,228.7
EQUITY			
Share capital		674.6	673.1
Reserves	Note	9,534.2	5,555.6
TOTAL EQUITY		10,208.8	6,228.7

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf by:

Cheng Wai Sun, Edward
DIRECTOR

Ng Kar Wai, Kenneth
DIRECTOR

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

Reserve movement of the Company

	Share premium HK$'M	Employee share-based compensation reserve HK$'M	Retained profits HK$'M	Total HK$'M
At 1 January 2018	3,310.3	18.2	2,227.1	5,555.6
Value of employee services relating to grants of share options and incentive shares	–	12.2	–	12.2
Share options exercised	4.2	(5.0)	–	(0.8)
Incentive shares exercised	5.3	(6.0)	–	(0.7)
2017 final dividend paid	–	–	(303.6)	(303.6)
2018 interim dividend paid	–	–	(80.9)	(80.9)
Profit for the year	–	–	4,352.4	4,352.4
At 31 December 2018	3,319.8	19.4	6,195.0	9,534.2
At 1 January 2017	3,302.5	15.4	2,489.6	5,807.5
Value of employee services relating to grants of share options and incentive shares	–	12.0	–	12.0
Share options exercised	1.2	(1.6)	–	(0.4)
Incentive shares exercised	6.6	(7.6)	–	(1.0)
2016 final dividend paid	–	–	(185.8)	(185.8)
2017 interim dividend paid	–	–	(60.6)	(60.6)
Loss for the year	–	–	(16.1)	(16.1)
At 31 December 2017	3,310.3	18.2	2,227.1	5,555.6

43. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities
Adam Knitters Limited	Hong Kong	HK$1,000	100%	Property investment
Begin Land Limited	Hong Kong	HK$90,000	100%	Property investment
Cheong Ka Limited	British Virgin Islands/ People's Republic of China	US$1	100%	Property investment
Chung Fook Limited	British Virgin Islands/ People's Republic of China	US$1	100%	Property investment
Conventional Wisdom Limited	Hong Kong	HK$1	100%	Property development
Creation Empire Limited	Hong Kong	HK$1	100%	Property investment
Direct Sparkle Limited	British Virgin Islands	US$1	100%	Treasury investment
East Sun Estate Management Company Limited	Hong Kong	HK$200	100%	Property management
Fore Prosper Limited	Hong Kong	HK$10	100%	Hospitality investment
Glory Charm Development Limited	Hong Kong	HK$2	100%	Property holding
Grandeur Investments Limited	British Virgin Islands/ Hong Kong	US$1	100%	Property investment
Green Lotus Limited	Hong Kong	HK$1	100%	Property development
Hilwin Properties Limited	Hong Kong	HK$450,000	100%	Investment holding and treasury investment
Honest Bond Limited	Hong Kong	HK$1	100%	Property investment
Lanson Place Hospitality Management Limited	Hong Kong	HK$2	100%	Provision of hospitality management services
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US$1	100%	Investment holding and provision of hospitality management services

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S$100	100%	Provision of hospitality management services
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US$12,000	100%	Licensing
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding
Nation Smart Limited	British Virgin Islands/ United Kingdom	US$10	100%	Property investment
New Ego Limited	British Virgin Islands/ United Kingdom	US$1	100%	Property investment
Noble Castle Investments Limited	Hong Kong	HK$1	100%	Property investment
Oasis Rainbow Limited	Hong Kong	HK$1	100%	Property investment
Oberto Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100%	Property investment
Shang Tai Property Management Limited	Hong Kong	HK$1	100%	Provision of property management services
Smart Tycoon Limited	Hong Kong	HK$1	70%	Property development
Sonic Start Limited	Hong Kong	HK$1	100%	Provision of financing

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities	Note
Topworth Enterprises Limited	British Virgin Islands/ United Kingdom	US$1	100%	Property investment	
Value Castle Limited	Hong Kong	HK$1	100%	Property development	
W Billion Management Limited	Hong Kong	HK$10	80%	Property management	
Wing Tai Properties Development Limited	Hong Kong	HK$2	100%	Provision of property project management services	
Wing Tai Properties Estate Agents Limited	Hong Kong	HK$20	100%	Property agent	
Wing Tai Properties Estate Management Limited	Hong Kong	HK$2	100%	Property management	
Wing Tai Properties Investment Limited	British Virgin Islands	US$1	100%	Investment holding	1
Wing Tai Properties (B.V.I.) Limited	British Virgin Islands/ Hong Kong	US$50,000	100%	Investment holding	1
Wing Tai Properties (Finance) Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$1 Fixed rate bonds S$170,000,000, HK$880,000,000 & S$260,000,000 Perpetual Capital Securities	100%	Provides finance to group companies	
Wing Tai Properties (Hong Kong) Limited	Hong Kong	HK$523,647,184	100%	Provides finance to group companies	
Wing Tai Properties (International) Limited	British Virgin Islands	US$1	100%	Investment holding	
Winprop Pte. Ltd.	Singapore	S$2	100%	Investment holding	
WTP Investment Finance Limited	Hong Kong	HK$2	100%	Provides finance to group companies	

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued share capital/registered capital and issued debt securities	Attributable proportion of issued/registered capital held by the Company	Principal activities	Note
WTP Investment (Hong Kong) Limited	British Virgin Islands/ Hong Kong	US$2	100%	Investment holding	
WTP Investment (Overseas) Limited	British Virgin Islands	US$2	100%	Investment holding	
乳源冠麗製衣有限公司	People's Republic of China	HK$20,000,000	100%	Property investment	2
乳源寶麗製衣有限公司	People's Republic of China	HK$15,000,000	100%	Property investment	2
韶關乳源環邦針織製衣有限公司	People's Republic of China	HK$7,800,000	100%	Property investment	2
永泰富聯物業管理(北京)有限公司	People's Republic of China	US$12,300,000	100%	Property investment	2
逸蘭公寓管理(上海)有限公司	People's Republic of China	US$140,000	100%	Provision of hospitality management services	2

Note:

1. only Wing Tai Properties (B.V.I.) Limited and Wing Tai Properties Investment Limited are directly held by the Company.

2. represents a wholly owned foreign enterprise established in the People's Republic of China.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44. PRINCIPAL JOINT VENTURES

Details of the principal joint ventures at 31 December 2018 are as follows:

Name of joint venture	Place of incorporation/ operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
Ace Glory Limited	Hong Kong	15%	Property development
Brave Sky Investments Limited	Hong Kong	50%	Property development
Brave Sky Mortgage Limited	Hong Kong	50%	Provision of mortgage financing
Bravo Partner Limited	Hong Kong	35%	Property development
Bravo Partner Property Management Limited	Hong Kong	35%	Provision of property management services
Century Rise Limited	Hong Kong	15%	Property development
Crackerbox Limited	British Virgin Islands/ United Kingdom	33%	Property investment
Kingswood Edge Limited	British Virgin Islands/ United Kingdom	50%	Property investment
Kualiti Gold Sdn. Bhd.	Malaysia	50%	Hospitality investment
LPR 68 Limited	Hong Kong	35%	Provision of mortgage financing
LPR 83 Limited	Hong Kong	35%	Provision of mortgage financing
Maplemount Limited	British Virgin Islands	25%	Property investment
Mega Island (HK) Limited	Hong Kong	35%	Property development
Mega Island Property Management Limited	Hong Kong	35%	Provision of property management services
Pacific Bond Limited	Hong Kong	15%	Property development
Providence Bay Finance Company Limited	Hong Kong	15%	Provision of mortgage financing
Providence Bay Property Management Company Limited	Hong Kong	15%	Provision of property management services
Providence Peak Finance Company Limited	Hong Kong	15%	Provision of mortgage financing
Providence Peak Property Management Company Limited	Hong Kong	15%	Provision of property management services

44. PRINCIPAL JOINT VENTURES (Continued)

Name of joint venture	Place of incorporation/ operation	Attributable proportion of issued capital held by the Company indirectly	Principal activities
Shatin 68 Limited	Hong Kong	35%	Provision of financing
Shatin 83 Limited	Hong Kong	35%	Provision of financing
Southwater Investments Limited	British Virgin Islands	50% (2017: 65%)	Investment holding for real estate operations
The Graces – Providence Bay Finance Company Limited	Hong Kong	15%	Provision of mortgage financing
The Graces – Providence Bay Property Management Company Limited	Hong Kong	15%	Provision of property management services

The above table lists the joint ventures of the Company which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31 December 2018

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2018
Hong Kong				
Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong (The Remaining Portion of Kwun Tong Inland Lot No. 242)	1,338,000 sq.ft.#	2047	100%	Let to outside parties as retail and office
Shui Hing Centre, 13 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5890)	186,800 sq.ft.#	2047	100%	Let to outside parties as workshop, canteen or godown
Lanson Place Hotel, 133 Leighton Road, Causeway Bay, Hong Kong (Inland Lot No. 8774)	114,100 sq.ft.	2047	100%	Serviced apartment
Waterfront Suites, 1 Oi Tak Street, Shau Kei Wan Hong Kong (Shau Kei Wan Inland Lot No.854)	46,000 sq.ft.	2064	100%	Under refurbishment
161 agricultural lots, Lantau Island and Peng Chau, New Territories, Hong Kong	540,200 sq.ft.	2047	100%	Vacant
United Kingdom				
8-12 (even) Brook Street, London, United Kingdom	19,100 sq.ft.	Freehold	100%	Let to outside parties as retail and office
1 Savile Row/ 7 Vigo Street London, United Kingdom	13,900 sq.ft.	Freehold	100%	Let to outside parties as retail and office
35 Berkeley Square, London, United Kingdom	7,900 sq.ft.	2139	100%	Let to outside parties as office
10 Fleet Place, London, United Kingdom	191,800 sq.ft.	Freehold	25%	Let to outside parties as retail and office
3 Cavendish Square, London, United Kingdom	13,300 sq.ft.	Freehold	33%	Scheduled for leasing
30 Gresham Street, London, United Kingdom	403,600 sq ft.	2178	50%	Let to outside parties as retail and office

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2018
The People's Republic of China				
33 Units Tower 23, Central Park, No. 6 Chaoyangmenwai Road, Chaoyang District, Beijing, People's Republic of China	6,200 sq.m.	2074	100%	Let to outside parties as residence
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C0449085, C0449086 and C0449090)	9,100 sq.m.	2053	100%	Let to a related party as factory
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C0449084, C0449087, C0449088 and C0449089)	13,600 sq.m.	2053	100%	Let to a related party as factory
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, People's Republic of China (Ru Fu Guo Yong Zong Zi Di 000030312/ No. Ru Fu Guo Yong Zi (2005) Di 02320100060)	14,500 sq.m.	2052	100%	Vacant

PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31 December 2018

Address	Gross floor area	Lease expiry	Effective percentage holding	Particulars of occupancy as at 31 December 2018
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi C4281592, C4281593, C4281594 and C4281595)	11,600 sq.m.	2044	100%	Let to an outside party as factory
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, People's Republic of China (Yue Fang Di Zheng Zi 1486418, 1486419,1486420 and 1486421)	9,600 sq.m.	2044	100%	Let to an outside party as factory
Others				
Lanson Place Bukit Ceylon Serviced Residences, Tower C, Verticas Residensi, 10 Jalan Ceylon, 52200 Kuala Lumpur, Malaysia (Parent Lot No. 1315, Section 57, Town and District of Kuala Lumpur, State of Wilayah Persekutuan K.L.)	18,600 sq.m.	Freehold	50%	Serviced apartment

it represents the marketing floor area

PROPERTIES FOR SALE

At 31 December 2018

Address	Nature of property	Available gross floor area at 31 December 2018	Effective percentage holding	Project status	Expected completion date
Completed properties for sale					
Providence Bay 5 Fo Chun Road, Tai Po, New Territories, Hong Kong (Tai Po Town Lot No. 186)	Residential	6,000 sq.ft.*	15%	Completed	Completed
Providence Peak 8 Fo Chun Road, Tai Po, New Territories, Hong Kong (Tai Po Town Lot No. 188)	Residential	3,000 sq.ft.*	15%	Completed	Completed
Homantin Hillside 8 Wai Yin Path, Hung Hom, Kowloon, Hong Kong (Inland Lot No. 11184)	Residential	3,000 sq.ft.*	50%	Completed	Completed
Le Cap 83 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 565)	Residential	127,000 sq.ft.*	35%	Completed	Completed
La Vetta 68 Lai Ping Road, Kau To, Sha Tin, New Territories, Hong Kong (Sha Tin Town Lot No. 567)	Residential	321,000 sq.ft*	35%	Completed	Completed

PROPERTIES FOR SALE

At 31 December 2018

Address	Nature of property	Available gross floor area at 31 December 2018	Effective percentage holding	Project status	Expected completion date
Properties under development					
The Carmel Castle Peak Road - Tai Lam, Area 55, Siu Sau, Tuen Mun, New Territories, Hong Kong (Tuen Mun Town Lot No.435)	Residential	147,000 sq.ft.*	100%	Superstructure in progress	2020
So Kwun Wat Road, Area 56 Tuen Mun, New Territories, Hong Kong (Tuen Mun Town Lot No.497)	Residential	264,000 sq.ft.	100%	Superstructure in progress	2021
Castle Peak Road - Tai Lam Tuen Mun, New Territories, Hong Kong (Tuen Mun Town Lot No.523)	Residential	294,000 sq.ft.	70%	Foundation and site formation in progress	2022
Site C of Gage Street/ Graham Street, Central Hong Kong	Commercial and hotel	434,000 sq.ft.	50%	Ground investigation completed and tender for foundation work in progress	2023

* *it represents the saleable area*

WING TAI PROPERTIES LIMITED
Incorporated in Bermuda with limited liability

永泰地產有限公司
於百慕達註冊成立之有限公司

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