爪哇集團
SEA Group

Stock Code股份代號: 251

BUILDING WITH THE TIMES

與時創建

2018

ANNUAL REPORT 年報

CONTENTS

DIRECTORY

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Lam Sing Tai
Mr. Lincoln Lu

Independent Non-executive Directors

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

AUDIT COMMITTEE

Mr. Leung Hok Lim *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

NOMINATION COMMITTEE

Mr. Lu Wing Chi, Jesse *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

REMUNERATION COMMITTEE

Mr. Chung Pui Lam *(Chairman)*
Mr. Lu Wing Chi, Jesse
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

AUTHORISED REPRESENTATIVES

Mr. Lambert Lu
Ms. Chow Siu Yin, Dora

COMPANY SECRETARY

Ms. Chow Siu Yin, Dora

LEGAL ADVISERS

Stephenson Harwood
Mayer Brown
Conyers Dill & Pearman

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Credit Suisse AG Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

BRANCH REGISTRAR IN HONG KONG

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

LISTING

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

STOCK CODE AND BOARD LOT

251/2,000 shares

WEBSITE

www.seagroup.com.hk

60+ YEARS OF BUILDING WITH THE TIMES

Highlights

For the year ended 31 December 2018

- Revenue from continuing operations: HK$778.8 million (2017: HK$576.4 million), 35% increase

- Profit from continuing operations: HK$121.3 million (2017: HK$40.4 million), 200% increase

- Profit attributable to the Shareholders: HK$121.0 million (2017: HK$267.3 million)

- Net asset value ("**NAV**") and NAV per share of the Group attributable to the Shareholders as at 31 December 2018: HK$11,405.4 million and HK$17.2 respectively#.

The NAV is calculated on the basis of the Group's book NAV of HK$6,011.6 million after adjusting hotel property (which is on cost basis in the book) to fair market value determined by independent property valuers.

BUILDING WITH THE TIMES

Adhering to the corporate philosophy of "Building with the Times", SEA Group continues to grow even in today's challenging times and has developed into one of the most respectable, trustworthy and renowned property conglomerates.

FINANCIAL HIGHLIGHTS

Five-Year Financial Summary

Results

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Revenue	**778.8**	627.6 Note 1	566.0	732.7	668.5
Profit for the year before non-controlling interests	**121.3**	268.0	571.9	1,463.2	703.6
Non-controlling interests	**(0.3)**	(0.7)	112.4	(27.3)	(19.1)
Profit for the year attributable to the Shareholders	**121.0**	267.3	684.3	1,435.9	684.5

Assets and Liabilities

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Total assets	**19,986.1**	19,011.1	17,279.9	19,079.7	17,947.5
Total liabilities	**(13,974.5)**	(12,867.0)	(4,947.2)	(5,561.3)	(5,322.9)
Adjusted NAV attributable to the Shareholders Note 3&4	**11,405.4**	9,516.4	14,831.0	13,074.4	12,197.0

Performance Data

	2018	2017	2016	2015	2014
	HK$	HK$	HK$	HK$	HK$
Basic earnings per share for profit attributable to the Shareholders	**0.18**	0.39	1.01	2.09	1.00
Basic earnings per share excluding fair value changes on investment properties net of deferred tax	**0.17**	0.37	1.13	0.70	0.15
Dividends declared (per share) Note 2	**0.05**	3.05	0.11	2.11	0.11
Adjusted NAV per share attributable to the Shareholders Note 3&4	**17.23**	14.12	21.92	19.29	17.69

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

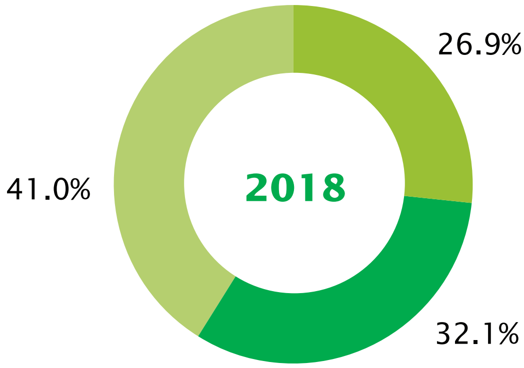
Note 2: Other than the above cash dividend declared, the distribution of a special non-cash dividend by way of Distribution in Specie of HK$3,883.8 million was completed on 15 May 2017. For further details, please refer to note 46 to the consolidated financial statements.

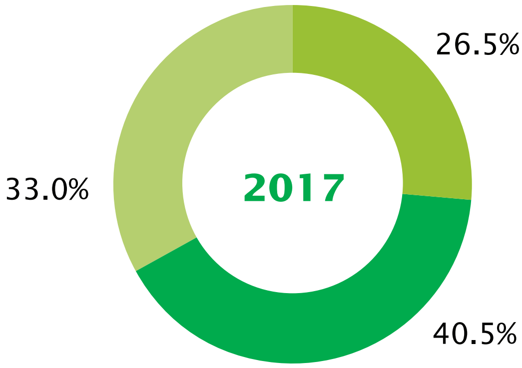
Note 3: The adjusted NAV and adjusted NAV per share attributable to the Shareholders as at 31 December 2018, 2017 and 2016 are calculated on the basis of the Group's respective book NAV after adjusting hotel property (which is on cost basis in the book) to fair market value determined by independent property valuers.

Note 4: The NAV and NAV per share attributable to the Shareholders as at 31 December 2015 and 2014 are calculated on the basis of the Group's respective book NAV without adjusting hotel property to fair market value.

FINANCIAL HIGHLIGHTS

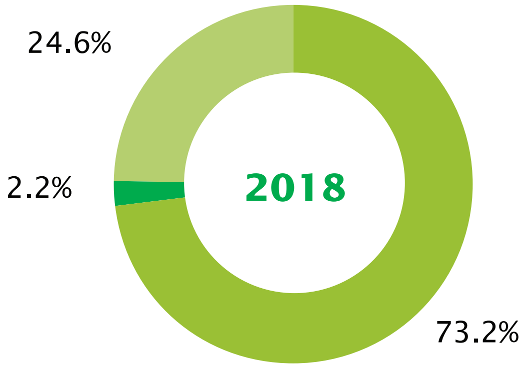
Segment Revenue from Continuing Operations for External Sales

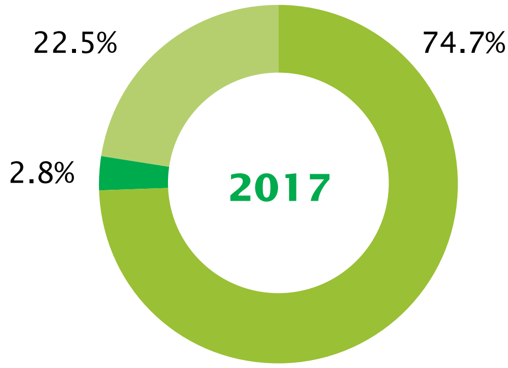




Property Investment
Hotel Operation
Financial Investment

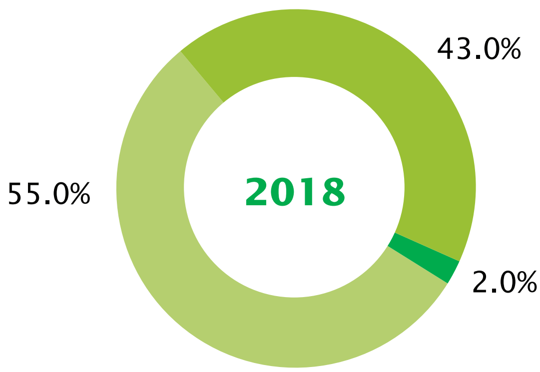
Revenue from Continuing Operations for External Customers by Geographical Location of Properties

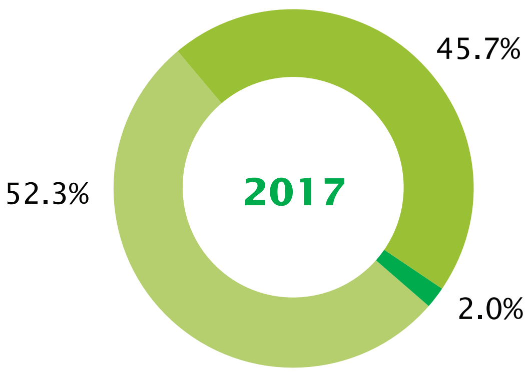




Hong Kong
Australia
United Kingdom

Property Assets by Geographical Segment





Hong Kong
Australia
United Kingdom

PROPERTY PORTFOLIO

At 31 December 2018

Particulars of Investment Properties

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
No.1 Shouson Hill Road East	Houses 1, 2, 7, 8, 9, 10, 11, 20, 21, 22 and 23 of No. 1 Shouson Hill Road East	30 June 2047	Residential	11 residential properties (each with 2 car parking spaces)	100
AUSTRALIA					
Lizard Island Resort	Lizard Island Tropical North Queensland	30 September 2050	Resort Hotel	10,500	100
UNITED KINGDOM					
John Sinclair House	16 Bernard Terrace, Edinburgh, Scotland	Freehold	Office	2,991 and 53 car parking spaces	100
20 Moorgate, London, EC2R 6DA	20 Moorgate, London, EC2R 6DA, England	Leasehold	Office	14,386.3	100
33 Old Broad Street, London	33-41 Old Broad Street and 1 to 6 Union Court London	Freehold	Office	17,760	100

PROPERTY PORTFOLIO

At 31 December 2018

Particulars of Development Properties/Properties under Development

Name of Project	Location	Stage of Completion	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Waterfront Residential Development at NKIL 6549, West Kowloon	Off Hing Wah Street West, West Kowloon (New Kowloon Inland Lot No. 6549)	Foundation work in progress	Residential	91,700	10

Particulars of Hotel Building

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

LOCATION OF THE GROUP'S PROPERTIES/ PROJECT

Hong Kong

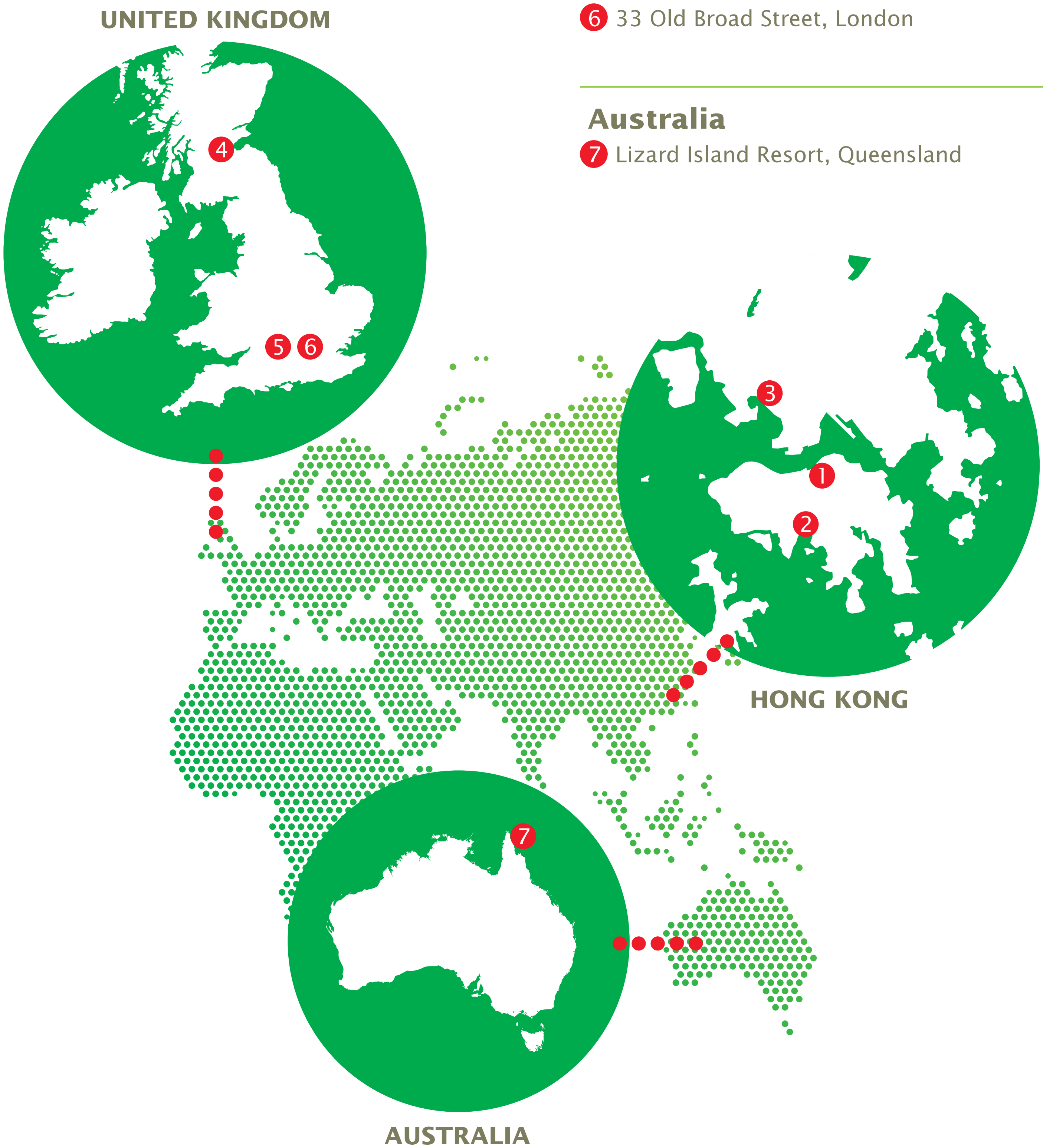
1 Crowne Plaza Hong Kong Causeway Bay
2 No.1 Shouson Hill Road East
3 Waterfront Residential Development at NKIL 6549, West Kowloon

United Kingdom

4 John Sinclair House, Scotland
5 20 Moorgate, London, EC2R 6DA
6 33 Old Broad Street, London

Australia

7 Lizard Island Resort, Queensland



FINANCIAL CALENDAR

Results Announcements

2018 Annual results announcement	28 March 2019 (Thursday)
2019 Interim results announcement	on or before 30 August 2019 (Friday)

Book Close Date

For ascertaining Shareholders' eligibility to attend and vote at the 2019 Annual General Meeting

Latest time to lodge transfer documents	4:30 p.m. on 23 May 2019 (Thursday)
Closure of register of members	24 May 2019 (Friday) to 31 May 2019 (Friday) (both days inclusive)
Record date	24 May 2019 (Friday)

For ascertaining Shareholders' entitlement to the proposed final dividend

Latest time to lodge transfer documents	4:30 p.m. on 5 June 2019 (Wednesday)
Closure of register of members	6 June 2019 (Thursday) to 11 June 2019 (Tuesday) (both days inclusive)
Record date	11 June 2019 (Tuesday)

Annual General Meeting

2019 AGM	31 May 2019 (Friday)

Final Dividend

Ex-dividend date for 2018 final dividend	4 June 2019 (Tuesday)
Payment of 2018 final dividend (subject to Shareholders' approval at the 2019 AGM)	21 June 2019 (Friday)

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. Lu, aged 72, joined the Group in 1969 and is currently the Chairman and Executive Director. He is also the chairman of the Nomination Committee and the Executive Committee and a member of the Remuneration Committee. In addition, Mr. Lu is a director of various members of the Group and holds directorship in NLI (the controlling shareholder of the Company), NYH, Port Lucky and SEA Fortune (all of them are substantial shareholders of the Company). He has more than 50 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations.

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

MR. LU WING CHI, JESSE

CHAIRMAN
EXECUTIVE DIRECTOR

Mr. Lu, aged 42, joined the Group in 1999 and is currently the Chief Executive and Executive Director. He is also a member of the Executive Committee and Remuneration Committee. In addition, Mr. Lu is a director of a number of companies within the Group and holds directorship in NLI (the controlling shareholder of the Company), NYH, Port Lucky and SEA Fortune (all of them are substantial shareholders of the Company).

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

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

MR. LAMBERT LU

CHIEF EXECUTIVE
EXECUTIVE DIRECTOR

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. Lam, aged 72, joined the Group in 1973 and has acted as a Non-executive Director since April 2006. Mr. Lam is currently the general manager of South-East Asia Investment And Agency Company, Limited (a principal wholly-owned subsidiary of the Company) and a director of various members of the Group. He has over 45 years of solid experience in property development and investment.

MR. LAM SING TAI
NON-EXECUTIVE DIRECTOR

Mr. Lu, aged 44, has acted as a Non-executive Director since May 2017. Mr. Lu joined the Group in 1998 and served as an Executive Director during the period from December 2003 to May 2017. He is also a director of various members of the Group and holds directorship in NYH, Port Lucky and SEA Fortune (all of them are substantial shareholders of the Company). Mr. Lu is the Managing Director of Orion Land Limited. In addition, he was a director of NLI (the controlling shareholder of the Company) until August 2018.

Mr. Lu holds a Bachelor of Arts degree from the University of British Columbia in Canada. He is currently a member of the 10th and 11th Sichuan Committee of Chinese People's Political Consultative Conference ("CPPCC") and a standing member of the 12th Sichuan Committee of CPPCC. He is also an executive member of the 11th and 12th All-China Federation of Industry and Commerce.

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

MR. LINCOLN LU
NON-EXECUTIVE DIRECTOR

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. Santoso, aged 65, has acted as an Independent Non-executive Director since December 1994. He is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Santoso is also the Managing Director of Grand Ocean (International) Limited (a private company in which Mr. Santoso is a shareholder) and has over 40 years of experience in international trading and manufacturing. He also holds a Diploma in Accounting.

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

MR. WALUJO SANTOSO, WALLY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Leung, *FCPA (Aust.), FCPA (Practising), CPA (Macau)*, aged 83, has acted as an Independent Non-executive Director since February 1999. He is the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. He is the independent non-executive director of two Hong Kong listed companies, namely High Fashion International Limited and Phoenix Media Investment (Holdings) Limited (formerly known as Phoenix Satellite Television Holdings Limited). Mr. Leung resigned as an independent non-executive director of Fujian Holdings Limited (a company listed in Hong Kong) in January 2019.

MR. LEUNG HOK LIM

INDEPENDENT NON-EXECUTIVE DIRECTOR

DIRECTORS' BIOGRAPHICAL INFORMATION

Mr. Chung, *GBS, OBE, JP*, aged 78, has acted as an Independent Non-executive Director since September 2004. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Chung is a practicing solicitor in Hong Kong. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited (both are listed companies in Hong Kong). In addition, Mr. Chung is serving as consultant for numerous district organisations, industrial and commercial associations, trade unions and body corporates.

MR. CHUNG PUI LAM
INDEPENDENT NON-EXECUTIVE DIRECTOR

CHAIRMAN'S STATEMENT

No.1 Shouson Hill Road East, Hong Kong

I am pleased to present the consolidated financial results of the Group for the year 2018 to the Shareholders.

Financial Summary

Revenue for the year ended 31 December 2018 amounted to HK$778.8 million (2017: HK$576.4 million). The revenue was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and income from financial investment.

Profit from continuing operations for the year amounted to HK$121.3 million (2017: HK$40.4 million). The increase in current year was mainly due to full-year rental income contribution by 33 Old Broad Street, London (which was purchased by the Group in July 2017) and increase in interest income from financial investment during the year.

Profit attributable to the Shareholders for the year amounted to HK$121.0 million (2017: HK$267.3 million), equivalent to a basic earnings per share of HK18.2 cents (2017: HK39.3 cents). The decrease in profit attributable to the Shareholders in current year was mainly due to one-off gain arising from the release of exchange reserve to profit or loss of approximately HK$226.9 million upon Distribution in Specie (as part of the Group's restructuring in 2017) recorded under profit from the discontinued operations in last year.

The reported profit attributable to the Shareholders included a revaluation surplus on investment properties net of deferred taxation of HK$10.9 million (2017: HK$16.9 million). By excluding the effect of such surplus, the Group's net profit attributable to the Shareholders was HK$110.1 million (2017: HK$250.4 million), equivalent to HK16.6 cents (2017: HK36.9 cents) per share.

CHAIRMAN'S STATEMENT

As at 31 December 2018, the Group's equity attributable to the Shareholders amounted to HK$6,011.6 million (31 December 2017: HK$6,142.6 million). The net asset value per share attributable to the Shareholders as at 31 December 2018 was HK$9.1 as compared with HK$9.1 as at 31 December 2017.

The Group's property assets (including interests in joint venture) by geographical location at the year end were as follows:

	31 December 2018 HK$' million	31 December 2017 HK$' million
Continuing operations		
Hong Kong	**3,317.1**	3,923.8
United Kingdom	**4,243.1**	4,495.2
Australia	**157.7**	174.6
Total	**7,717.9**	8,593.6

The Group's hotel property is stated at cost less accumulated depreciation charges at a carrying value of HK$606.2 million, whereas the market value as at 31 December 2018 as determined by an independent professional market valuation carried out by independent property valuer is HK$6,000.0 million. For the purpose of providing supplementary information, if the carrying value of the Group's hotel property was restated to its market value as at 31 December 2018, the adjusted total property assets, the adjusted net asset value and adjusted net asset value per share attributable to the Shareholders would be HK$13,111.7 million (31 December 2017: HK$11,967.4 million), HK$11,405.4 million (31 December 2017: HK$9,516.4 million) and HK$17.2 (31 December 2017: HK$14.1) respectively.

Dividends

The Board has resolved to recommend for Shareholders' approval at the 2019 AGM the payment of a final dividend of HK3 cents (2017: HK3 cents) per share for the year ended 31 December 2018 to the Shareholders whose names appear on the register of members at the close of business on Tuesday, 11 June 2019. The relevant dividend warrants are expected to be despatched on or before Friday, 21 June 2019.

Together with the interim dividend of HK2 cents per share already paid (2017: HK2 cents), the total dividends for the year will be HK5 cents per share. In 2017, the total dividends paid per share comprised cash dividends of HK$3.05 (including final dividend of HK3 cents, interim dividend of HK2 cents and a special cash dividend of HK$3) and the special non-cash dividend by way of Distribution in Specie.

CHAIRMAN'S STATEMENT

Business Review

Property Investment and Development

Following the Group's restructuring in 2017, the Group continues to focus on property development and property investment projects. However, the Group has not committed to limit its sphere of activities solely to outside the PRC or to property related development and investments. The strategy of the Group will be determined by the Board taking into consideration market opportunities, the Group's financial resources and its core competence. It is the Group's approach to review and optimize the project portfolios from time to time. Currently, the Group's core projects mainly consist of a residential project (No. 1 Shouson Hill Road East) and a joint venture residential development project (West Kowloon Waterfront) in Hong Kong, two investment properties in London, the United Kingdom (20 Moorgate and 33 Old Broad Street) and an investment property in Australia (Lizard Island).

Hong Kong

The Group, as part of the consortium comprised of well-known property developers, won the tender for the urban waterfront residential plot with harbor view in Off Hing Wah Street West, West Kowloon at a price of HK$17 billion in 2017. The site will be developed into a premium-graded residential project with walking distance to MTR. This project is under foundation work in progress stage as scheduled and targets to be completed by 2022.

The Group owns residential properties at Shouson Hill Road East, Hong Kong as investment property. The properties are currently under renovation process.

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

United Kingdom

The Group owns three investment properties in the United Kingdom, namely, (i) an office building at 33 Old Broad Street, London, EC 2; (ii) an office building at 20 Moorgate, London, EC2R 6DA; and (iii) John Sinclair House, an office building at 16 Bernard Terrace, Edinburgh, Scotland.

The revenue generated from these investment properties in the United Kingdom for year ended 31 December 2018 was HK$191.6 million (2017: HK$129.8 million).

CHAIRMAN'S STATEMENT

Australia

Revenue generated from the property investment project in Australia for the year ended 31 December 2018 was HK$16.8 million (2017: HK$16.3 million).

Lizard Island Resort, Queensland

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is managed by the InterContinental Hotels Group. Its performance improved as compared to 2017, which was resulted from the general increase of tourism market and the success of the hotel's cost saving measures. The hotel will strive to gain further market share in the challenging market conditions.

Financial Resources and Liquidity

30 Old Broad Street, London

Working Capital and Loan Facilities

In January 2018, the Group issued guaranteed notes with a principal amount of US$150,000,000, due on 19 January 2023 (the "Notes"). At maturity, the Notes are payable at their principal amount. The Notes will bear interest at the rate of 4.875% per annum payable semi-annually in arrear on 19 January and 19 July in each year.

As at 31 December 2018, the Group's total pledged bank deposits, bank balances and cash was HK$7,471.2 million (2017: HK$5,769.6 million), total financial investments (including debt instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss) were HK$4,732.0 million (2017: HK$4,492.8 million) and unutilised facilities were HK$1,707.8 million (2017: HK$983.8 million).

As at 31 December 2018, the Group's bank borrowings was HK$10,979.4 million (2017: HK$11,067.3 million) and the guaranteed notes was HK$2,726.7 million (2017: HK$1,553.3 million) respectively. After netting the bank balance and cash and the financial investments, the Group had a net debt position of HK$1,502.9 million (2017: HK$2,358.2 million) with gearing ratio of 11.5% (2017: 19.7%) (calculated on the basis of net debt as a percentage of the adjusted total property assets with hotel property adjusted to fair market value of HK$6,000.0 million).

CHAIRMAN'S STATEMENT

Crowne Plaza Hong Kong Causeway Bay, Hong Kong

As at 31 December 2018, maturity of the Group's outstanding borrowings (including the guaranteed notes) was as follows:

	31 December 2018 HK$' million	31 December 2017 HK$' million
Due		
Within 1 year	**6,217.9**	6,319.9
1-2 years	**1,619.0**	130.4
3-5 years	**5,913.1**	6,215.8
	13,750.0	12,666.1
Less: Unamortised front-end fee and notes issued expenses	**(43.9)**	(45.5)
	13,706.1	12,620.6

CHAIRMAN'S STATEMENT

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong, the total bank loans drawn as at 31 December 2018 amounted to HK$8,216.1 million (2017: HK$8,138.6 million) which comprised of secured bank loans of HK$5,936.1 million (2017: HK$6,428.6 million) and unsecured bank loans of HK$2,280.0 million (2017: HK$1,710.0 million). The secured bank loans were secured by properties valued at HK$2,225.2 million (2017: HK$2,154.2 million), listed debt securities of HK$3,689.8 million (2017: HK$3,983.6 million) and pledged cash of HK$1,598.5 million (2017: HK$1,517.9 million).

Subsidiaries of the Company operating in Australia and the United Kingdom pledged its investment properties with an aggregate carrying value of HK$4,400.8 million (2017: HK$4,669.8 million) as at 31 December 2018 and pledged cash of HK$2.7 million (2017: HK$15.9 million) to secure bank loans of HK$2,793.3 million (2017: HK$2,964.8 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2018, all of the Group's borrowings except the guaranteed notes were raised through its wholly-owned subsidiaries on a non-recourse basis.

Staff and Emolument Policy

As at 31 December 2018, the Group had a total of 239 employees (2017: 240 employees) in Hong Kong. Employee costs, including the emoluments of the directors of the Group, amounted to HK$153.3 million for the year ended 31 December 2018 (2017: HK$149.1 million).

No.1 Shouson Hill Road East, Hong Kong

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

CHAIRMAN'S STATEMENT

Outlook

The global economy was full of uncertainties in 2018. Notwithstanding the global economy sustained robust in the first half of 2018, the escalation of US-Mainland trade conflict, the interest rate hikes in the United States and uncertainties on Brexit led the slower economy growth since mid-2018. In January 2019, the International Monetary Fund revised its growth forecast for 2019 downward to 3.5%. Trade tension remains a crucial factor affecting the global economy in the near future. Other developments, such as the diminishing effects of fiscal stimulus in US, Brexit uncertainty and a lower actual growth in China, will also trigger a slowdown in global activities. Global economy is likely to face continued downward pressures.

Despite unfavorable situation in external environment and losing momentum in global economic growth in the second half of 2018, performance of the Mainland economy was bright with a significant expansion of 6.6% in 2018 as a whole. In spite of the slightly slowdown is expected to continue, the outlook for Mainland economy maintains strong, with the economic growth target for 2019 set by the PRC government of 6%-6.5%, attributed by significant reduction of reliance on external demand by the Mainland over the years and the Central Government's looser fiscal and monetary strategy.

Although the Hong Kong economy experienced another year of above-trend growth and recorded of 3.0% growth for 2018 as a whole, the pace of growth decelerated noticeably amid external headwinds in the second half of the year, particularly in the fourth quarter. Easing global economic growth, the US-Mainland trade dispute and successive US interest rate hikes sharply dragged the economy growth to 1.3% in the fourth quarter. In February 2019, the Hong Kong government forecasted that the Hong Kong Economy will grow by 2%-3% in 2019. As Asia, especially the Mainland, is expected to be a fast growing region and an important engine of global economic growth in the coming years, together with the Belt and Road Initiative and the Guangdong-Hong Kong-Macau Bay Area development strengthen the economic connectivity within the Bay Area and with the other cities in the world, Hong Kong will be in an advantageous position to seize and capitalize these enormous opportunities. Broadly speaking, the outlook is predicted to be stable in 2019.

Same situation was experienced by the Hong Kong residential property in 2018. Following a long term above-trend, the Hong Kong residential property market faced a consolidation since mid-2018, with the plunge in both of the number of transactions and flat prices. The downward sign was also noted in the leasing market during the fourth quarter. Looking ahead to 2019, the negative sentiments will be offset by the ongoing tight market supply, strong domestic demand and prospect for ending balance sheet contraction by Federal Reserve. The Group believes that the property market will tend to grow steadily.

The UK economy remained strong even as the anxiety of a "no-deal Brexit" kept casting a shadow. As the largest cities in the UK and one of the international financial centers in the world, the rents and prices of prime buildings in London stayed buoyant during 2018. Looking into 2019, UK office investment is expected to maintain equilibrium, mainly due to Brexit uncertainty in the transitional period and turbulent UK politics. However, the effect will be moderate as investment confidence remains healthy in London and core cities. Supported by the long term leases secured, the Group's investment returns in the region will be sustainable.

CHAIRMAN'S STATEMENT

20 Moorgate, London EC2R 6DA, England

As a result of the opening of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge in 2018, inbound tourism, as a key element to the hotel business in Hong Kong, has a bright performance in 2018. Visitors increased by 11.4% in 2018 to a record high of 65.1 million. Meanwhile, visitor spending grew notably by 8.3% in 2018. Having said that, given global political uncertainty and downward pressure on the economy, we expect that the growth in our hotel business will decelerate in 2019.

2019 is likely to be a challenging year globally. Global economy will continue to volatile. Nonetheless, the Group's stable earnings from property rental income and interest income from debt market, coupled with stable hotel revenue, provide the Group a solid foundation to achieve our further growth ambitions. The Group will be cautious to the developments of the global and Hong Kong economy for the possible implications to the Group. On the positive side, the Group will continue to proactively explore for suitable opportunities on land and property acquisition amid the financial volatility environment, to optimize earnings and enhance performance.

Lu Wing Chi, Jesse
Chairman

Hong Kong, 28 March 2019

CORPORATE GOVERNANCE REPORT

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

Corporate Governance Practices

Following the fixing of term of appointment of certain Non-executive Directors in 2018, the Company has applied the principles and complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules.

As disclosed in the last Corporate Governance Report, except Mr. Lincoln Lu who was appointed as the Non-executive Director for a term of three years in May 2017, the other four Non-executive Directors (including INED) did not have a specific term of appointment, subject to retirement by rotation and re-election at the AGM pursuant to the Bye-laws of the Company. To enhance the corporate governance practices of the Company, the term of appointment of each of these Non-executive Directors has also been fixed for three years commencing from December 2018, subject to re-election once every three years. Consequently, all Non-executive Directors (including INED) have been appointed for a specific term.

Board of Directors

Composition

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

Executive Directors

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

Non-executive Directors

Mr. Lam Sing Tai
Mr. Lincoln Lu

Independent Non-executive Directors

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

An updated list of Directors and their respective roles and functions have been maintained on the websites of the Company and HKEX. Biographical particulars of the existing Directors are set out in the section headed "Directors' Biographical Information" on pages 12 to 16.

Role and Function

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

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

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

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

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

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

(vi) approval of significant accounting policies and practices;

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

(viii) other significant matters.

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

Corporate Governance Function

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

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

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

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

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

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

During the year ended 31 December 2018, the Board reviewed the Company's corporate governance practices and addressed the following matters in response to the amendments to the CG Code and related Listing Rules which have come into effect on 1 January 2019:-

(i) adopted a dividend policy setting out the frequency, forms and criteria of dividend payout of the Company; and

(ii) revised the terms of reference of the Audit Committee by extending the cooling off period from one year to two years for former audit partner before becoming an audit committee member of the Company.

Code provision A.4.1 requires every non-executive director to have a specific term of appointment, subject to re-election. To comply with this code requirement, the Board in 2018 approved the fixing of term of appointment of four Non-executive Directors (including INED) for three years subject to re-election pursuant to the Company's Bye-laws.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance and adopted the Board Diversity Policy in August 2013.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be considered by the Company from a number of aspects, including but not limited to cultural and educational background, experience, skills, knowledge, length of service, age and gender. The Company's business model and specific needs will also be taken into account in determining the optimum composition of the Board.

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

Retirement and Re-election

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

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

CORPORATE GOVERNANCE REPORT

Meetings

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

During the year ended 31 December 2018, the Board held five meetings and the attendance record of each Director is set out in the following table:

Directors	**Attendance/Number of Board meetings held in 2018**
Executive Directors	
Mr. Lu Wing Chi, Jesse *(Chairman)*	5/5
Mr. Lambert Lu *(Chief Executive)*	5/5
Non-executive Directors	
Mr. Lam Sing Tai	5/5
Mr. Lincoln Lu	5/5
INED	
Mr. Walujo Santoso, Wally	5/5
Mr. Leung Hok Lim	5/5
Mr. Chung Pui Lam	5/5

The Chairman met all Non-executive Directors (including INED) without the presence of the Executive Director in 2018.

Relationship

Mr. Lu Wing Chi, Jesse (the Chairman and Executive Director) is the father of Messrs Lambert Lu (the Chief Executive and Executive Director) and Lincoln Lu (the Non-executive Director). Other than this, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's activities and affairs. In addition, the roles of the Chairman and the Chief Executive are separate and performed by different Directors. Their roles and responsibilities had been clearly set out and approved by the Board. During the year 2018, more than half of the Board members were Non-executive Directors (including INED) whose views carry significant weight in the Board's decisions. Directors have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

Training and Insurance for Directors

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its Directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. An in-house training session conducted by solicitors' firm was organised by the Company for the year 2018 as part of the continuous professional development for its Directors to update them on the latest developments regarding the Listing Rules and applicable regulatory requirements in discharging their duties.

During the year ended 31 December 2018, Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

A summary of training participated by the Directors during the year ended 31 December 2018 is as follows:

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

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

Non-executive Directors

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

Independent Non-executive Directors

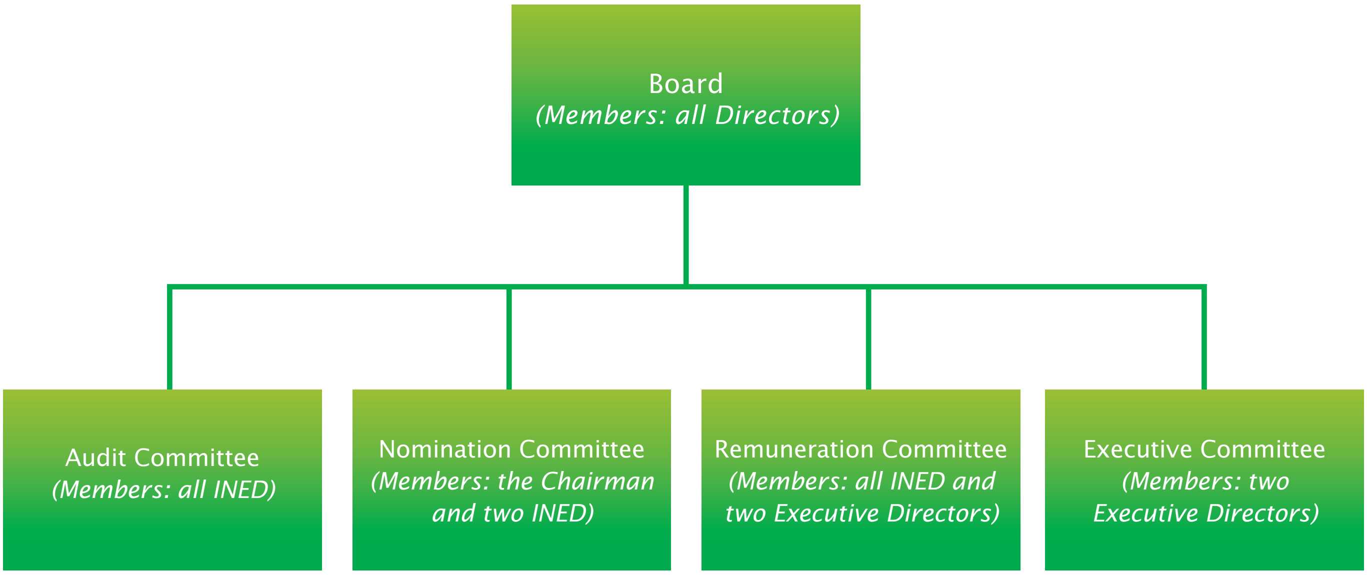
Currently, the Board consists of a total of seven members, comprising two Executive Directors, two Non-executive Directors and three INED. More than one-third of the Board are INED and at least an INED possesses appropriate professional qualifications or accounting or related financial management expertise.

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

The Company has received from each of the INED an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INED including their immediate family members (as defined in the Listing Rules) are independent.

Delegation — Board Committees

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



Audit Committee

Composition

The Audit Committee was established in 1999. The terms of reference of the Audit Committee were revised in December 2018 and published on the websites of the Company and HKEX. The Audit Committee currently comprises of three members and all of them are INED. The attendance record of the committee members at the meetings held during the year ended 31 December 2018 is set out below:

Committee Members	Attendance/Number of Audit Committee meetings held in 2018
INED	
Mr. Leung Hok Lim *(chairman)*	2/2
Mr. Walujo Santoso, Wally	2/2
Mr. Chung Pui Lam	2/2

Role and Function

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

During the year ended 31 December 2018, the Audit Committee met twice with representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

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

(ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2017;

(iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2018;

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

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

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

It also recommended to the Board for the re-appointment of the independent auditor and reviewed the relevant audit fees. In March 2019, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the audited consolidated financial statements of the Company for the year ended 31 December 2018 and was of the opinion that such financial statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.

Nomination Committee

Composition

The Nomination Committee was established in 2012. Its terms of reference can be found on the websites of the Company and HKEX. The Nomination Committee currently comprises of three members including the Chairman and two INED. The attendance record of the committee members at the meeting held during the year ended 31 December 2018 is set out in the following table:

Committee Members	Attendance/Number of Nomination Committee meeting held in 2018
Executive Director	
Mr. Lu Wing Chi, Jesse *(chairman)*	1/1
INED	
Mr. Walujo Santoso, Wally	1/1
Mr. Leung Hok Lim	1/1

Role and Function

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

The Board adopted a nomination policy in March 2014 setting out the criteria, procedures and process for nomination of Directors.

The Nomination Committee held one meeting in the financial year under review and a meeting in January 2019 to review the structure, size, composition of the Board and the Board Diversity Policy, assess the independence of INED and make recommendations in relation to the re-appointment of retiring Directors at AGM.

Remuneration Committee

Composition

The Remuneration Committee was established in 2005. Its terms of reference can be found on the websites of the Company and HKEX. The Remuneration Committee currently comprises of five members including the Chairman, the Chief Executive and three INED. The attendance record of the committee members at the meeting held during the year ended 31 December 2018 is set out in the following table:

Committee Members	Attendance/Number of Remuneration Committee meeting held in 2018
INED	
Mr. Chung Pui Lam *(chairman)*	1/1
Mr. Walujo Santoso, Wally	1/1
Mr. Leung Hok Lim	1/1
Executive Directors	
Mr. Lu Wing Chi, Jesse	1/1
Mr. Lambert Lu	1/1

Role and Function

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

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

At the AGM held in 2005, the Shareholders passed an ordinary resolution to authorise the Directors to fix the Directors' fees for an aggregate amount not exceeding HK$1.0 million per annum. During the year, the Remuneration Committee met once for the purposes of determining matters relating to the remuneration packages and emoluments of Executive Directors as well as making recommendation to the Board on the remuneration packages and emoluments of Non-executive Directors. In 2018, the Remuneration Committee also determined and made recommendations to the Board for approval on the grant of share awards to the Executive Directors and Non-executive Directors respectively.

Details of the Directors' remuneration for the year ended 31 December 2018 is set out in note 15 to the consolidated financial statements.

Executive Committee

Composition

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

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

Role and Function

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

Securities Transactions by Directors and Employees

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

In response to the specific enquiry made on them by the Company, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

Directors' interests in shares and underlying shares in the Company are contained in the section headed "Directors' Report" on pages 48 to 50.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the Directors) to regulate their dealings in the shares of the Company, as they are likely to be in possession of inside information in relation to such shares because of their office or employment.

Directors' Responsibility for Preparing Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the section headed "Independent Auditor's Report" on page 59. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance department of the Company, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

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

Independent Auditor's Reporting Responsibility

The statement of Deloitte, Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the section headed "Independent Auditor's Report" on pages 59 and 60. Representatives of Deloitte also attend the AGMs to answer questions which the Shareholders may have.

Independent Auditor's Remuneration

At the AGM held on 29 May 2018, Deloitte were re-appointed by the Shareholders as independent auditor of the Company at a fee to be agreed by the Board. The total fees paid/payable to Deloitte in respect of the audit and non-audit services provided during the year ended 31 December 2018 are set out as follows:

	HK$'000
Audit services	1,600
Non-audit services (reviewing and other reporting services)	855
Total	2,455

Going Concern

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

Risk Management and Internal Control

The Board has overall responsibility for maintaining and ensuring effective implementation of the risk management and internal control systems of the Group and reviewing their effectiveness through the Audit Committee to safeguard the Shareholders' interest and the Company's assets. However, these systems are designed to manage rather than eliminate risk of failure in operational system, and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

The Board, through the Audit Committee, reviews regularly the effectiveness and adequacy of the Group's internal control system which includes financial, operational and compliance mechanisms and risk management functions in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. The review also includes the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by an independent external auditor during statutory audit.

During the year 2018, the Company has engaged an independent consultant to perform an internal audit review for the Group. The review included making enquiries with appropriate management and key process owners and performing walkthrough tests to identify the major risks and significant deficiencies, and making recommendations for improving and strengthening the internal control system to the Audit Committee for approval. In the year under review, no material issues on the Group's internal control system have been identified in the reviewed areas and reported to the Audit Committee. The independent consultant also performed follow-up review on the remedial actions undertaken by the management of the Group on the control deficiencies identified during the course of the internal audit review conducted in 2017. The Board considered that the risk management and internal control system was adequate and effective.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

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

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

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

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

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

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

Communication with Shareholders

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

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

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

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

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

(v) the Company's Hong Kong branch share registrar serves the Shareholders in respect of share registration, election of means of receipt of corporate communications and related matters.

To preserve environment and increase efficiency in communication with the Shareholders, the Company in February 2019 has made arrangements pursuant to Rule 2.07A of the Listing Rules and the Bye-laws of the Company for the Shareholders to elect to receive future corporate communications in printed form or by electronic means through the Company's website. Shareholders have the right to change their choice of receipt of corporate communications at any time by giving reasonable notice to the Company. The change request form may be downloaded from the websites of the Company and HKEX.

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

During the year ended 31 December 2018, an AGM was held on 29 May 2018. All resolutions relating to ordinary businesses and special businesses proposed at the AGM were duly passed.

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

Directors	Attendance at the 2018 AGM
Executive Directors	
Mr. Lu Wing Chi, Jesse *(Chairman)*	✓
Mr. Lambert Lu *(Chief Executive)*	✓
Non-executive Directors	
Mr. Lam Sing Tai	✓
Mr. Lincoln Lu	✓
INED	
Mr. Walujo Santoso, Wally	✓
Mr. Leung Hok Lim	✓
Mr. Chung Pui Lam	✓

Constitutional Documents

The constitutional documents of the Company can be found on the websites of the Company and HKEX and there is no change in the constitutional documents during the year ended 31 December 2018.

Shareholders' Rights

Convening Special General Meeting

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

Putting forward proposals at general meetings

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

Investor Relations

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

Looking Forward

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

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Principal Activities

During the year 2018, the Company acted as an investment holding company and the activities of its principal subsidiaries were property investment, property development, hotel operation and financial investment in Hong Kong, Australia and the United Kingdom.

Other particulars of the principal subsidiaries of the Company as at 31 December 2018 are set out in note 48 to the consolidated financial statements.

Business Review and Performance

A review of the business of the Group during the year ended 31 December 2018 and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 17 to 24 of this Annual Report.

Description of the financial risk management objectives and policies of the Group can be found in note 37 to the consolidated financial statements.

An analysis of the Group's performance during the year ended 31 December 2018 using financial key performance indicators is provided in the Chairman's Statement on pages 17 to 24 and the Financial Highlights on pages 6 and 7 of this Annual Report.

Environmental Protection

The Group recognises its responsibility to protect and preserve the environment from its business operations and has formulated a corporate social responsibility policy statement to demonstrate its determination to care for the environment. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities and strives to minimise these impacts.

Energy saving measures have been implemented in order to reduce power and paper consumption. Use of power-saving mode in office equipment, LED lighting and indoor temperature control are applied to minimise power consumption. Application of e-system, recycling of papers, and stationery are carried out to reduce paper consumption and to achieve cost savings. The Group also makes an effort to raise its staff's energy-saving awareness and regularly reminds them to switch off lighting and electronic devices after use.

The Group has also actively promoted material-savings and implemented policies to reduce waste generated from business activities. Its financial reports have been printed on Forest Stewardship Council-certified (FSC) papers since 2015. To further save paper resources, the Company has made arrangements to its Shareholders to receive corporate documents like financial reports and circulars in electronic form instead of hard copy. Waste Electrical and Electronic Equipment (WEEE) such as computers, printers and photocopiers were sent to recyclers for processing. The recycling of materials in our operations, including papers, plastic bottles, stationery and office equipment, are highly encouraged.

Crowne Plaza Hong Kong Causeway Bay ("Crowne Plaza") has also adopted a number of supportive measures in its hotel operations to reduce energy consumption. It has systematically adopted LED lighting in the hotel and switched off 50% guest floor corridor lights from midnight to 7:00 in the morning. All equipment is serviced and maintained ensuring maximum efficiency and major equipment including chiller plants is subject to seasonal adjustments for reducing electricity consumption but without affecting the comfort of the hotel's occupants. The replacement of traditional split type air conditioners to frequency inverter type at reservation and server rooms achieved about 30% energy savings in 2018.

Crowne Plaza strives to minimize waste generation by reusing and recycling of papers, battery and card boards as well as donation of retired computer devices. During the year under review, Crowne Plaza has participated in Computer Refurbish Project organized by Caritas-Hong Kong Computer Workshop by donating some retired computers and accessories.

Compliance with Laws and Regulations

The Group complies with applicable rules and regulations governing property development and property investment in Hong Kong and holds relevant required licences for provision of services. With respect to the overseas properties held by the Group, it engages external professional advisors to ensure the compliance with applicable laws and regulations of that jurisdictions. During the year under review, there was no reported incident of material non-compliance with the relevant laws and regulations that had a significant impact on the Group's business.

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

It is the policy of the Group to strictly prohibit bribery, corruption and money laundering activities to ensure the conduct of the Group companies and employees are in compliance with the applicable rules and regulations. All staff members are required to strictly adhere to the provisions of the Prevention of Bribery Ordinance and may not solicit or accept for his personal benefit any advantage which includes benefits in money or in any kind from any business partners. The Company has provided sufficient information on the Group's anti-corruption principles to all employees. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Further discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group will be provided in the 2018 Environmental, Social and Governance Report to be published on the websites of the Stock Exchange and the Company by July 2019.

DIRECTORS' REPORT

Workplace Quality

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

The Group has formulated an employee handbook which clearly sets out company policies and procedures, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. Recreational activities are organised for employees, such as outings, to enrich their work lives. Further, festival luncheons are organised by the Company as to provide more opportunities for interaction between the Company's management and staff in order to create a harmony and communicative working environment. The Group encourages staff of all levels to serve the community and care for those in need. We have participated in the "Dress Casual Day" which is the annual charity event organised by the Community Chest. In November 2018, the Company also sponsored the "Family Fun Sports Day" organised by The Child Development Centre for the students with special educational needs and their family members. Our staff and their family members were also invited to join this activity as volunteers.

The Group believes that people are the valuable assets of an enterprise and commits to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. As at 31 December 2018, approximately 50% of the staff have been working for the Group for more than five years. Service awards were presented at the Group's 2018 annual dinner as tribute to staff members who have contributed to the Group for 5, 10 and 45 years.

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

Segmental Analysis of Operations

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

Results

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on pages 61 and 62 and the consolidated statement of profit or loss and other comprehensive income on page 63.

The state of affairs of the Group as at 31 December 2018 is set out in the consolidated statement of financial position on pages 64 and 65.

DIRECTORS' REPORT

Dividends

An interim dividend of HK2 cents per share (2017: HK2 cents) amounting to HK$13.2 million (2017: HK$13.6 million) was paid to the Shareholders during the year.

The Board has resolved to recommend for Shareholders' approval at the forthcoming 2019 AGM the payment of a final dividend of HK3 cents (2017: HK3 cents) per share for the year under review, amounting to HK$19.9 million (2017: HK$20.1 million) to the Shareholders whose names appear on the register of members at the close of business on Tuesday, 11 June 2019. The relevant dividend warrants are expected to be despatched on or before Friday, 21 June 2019.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements. During the year, certain shares were issued on exercise of share options granted.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 66. The Company's reserves available for distribution to the Shareholders as at 31 December 2018 were as follows:

	2018 **HK$'000**	2017 HK$'000
Contributed surplus	**190,081**	190,081
Retained profits	**4,961,577**	8,585,293
	5,151,658	8,775,374

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

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

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

DIRECTORS' REPORT

Pre-emptive Rights

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

Investment Properties

All the investment properties of the Group were revalued at 31 December 2018. The net increase in fair value of investment properties amounting to HK$10.9 million (2017: net increase HK$17.6 million) has been credited directly to the consolidated statement of profit or loss.

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

Property, Plant and Equipment

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

Properties

Details of the properties of the Group held for investment and sale purposes at 31 December 2018 are set out in the section headed "Property Portfolio" on pages 8 and 9.

Permitted Indemnity Provision

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

DIRECTORS' REPORT

Directors

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

Executive Directors

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

Non-executive Directors

Mr. Lam Sing Tai
Mr. Lincoln Lu

Independent Non-executive Directors

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

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the CG Code set out in Appendix 14 to the Listing Rules, Messrs Lu Wing Chi, Jesse, Lam Sing Tai and Leung Hok Lim will retire as Directors by rotation and, being eligible, offer themselves for re-election at the 2019 AGM.

All other Directors shall continue in office.

Directors' Biographical Particulars

Biographical particulars of the present Directors are set out on pages 12 to 16 of this Annual Report.

Further particulars of the Directors to be re-elected at the 2019 AGM are set out in the circular to the Shareholders sent in April 2019.

DIRECTORS' REPORT

Update of Directors' Information

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

– Mr. Leung Hok Lim has resigned as an independent non-executive director of Fujian Holdings Limited (a company listed in Hong Kong) with effect from 1 January 2019.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2019 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Arrangements for Directors to Acquire Shares and Debentures

Other than the share options and awarded shares as described in details in the sections headed "Share Option Scheme" and "Share Award Scheme" on pages 50 to 53 of this Report, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

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

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

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

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

Management Contracts

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

DIRECTORS' REPORT

Directors' Interests and Short Positions in Shares and Underlying Shares

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

1. Long positions in shares of the Company

	Number of ordinary shares held				
Name of Directors	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporations)	Family interests (interests of spouse)	Total interests	Approximate % of interest in the issued share capital
Lu Wing Chi, Jesse	—	413,667,730 (i)	—	413,667,730	62.48
Lambert Lu	1,000,000	338,749,740 (ii)	—	339,749,740	51.32
Lam Sing Tai	4,743,030	—	7,558	4,750,588	0.72
Lincoln Lu	24,438,162	—	—	24,438,162	3.69
Walujo Santoso, Wally	1,680,400	—	—	1,680,400	0.25
Leung Hok Lim	2,545,574	—	—	2,545,574	0.38
Chung Pui Lam	894,800	—	—	894,800	0.14

Notes:

(i) Among these 413,667,730 shares, 74,917,990 shares were held by Port Lucky and 338,749,740 shares were held by NLI. Port Lucky is 100% owned by SEA Fortune, which in turn is 100% owned by NYH. NYH is 100% owned by Mr. Lu Wing Chi, Jesse. NLI is owned by Mr. Lu Wing Chi, Jesse and Mr. Lambert Lu as to 60% and 40% respectively (as disclosed in the section of "Long positions in shares of associated corporation" on page 49). By virtue of Mr. Lu Wing Chi, Jesse's interests in NLI and Port Lucky, he is deemed to be interested in these shares.

(ii) As disclosed in Note (i) above, these 338,749,740 shares were held by NLI which is owned by Mr. Lu Wing Chi, Jesse and Mr. Lambert Lu as to 60% and 40% respectively. By virtue of Mr. Lambert Lu's interests in NLI, he is also deemed to be interested in these shares.

(iii) The total number of issued shares of the Company as at 31 December 2018 was 662,058,726 shares.

2. Long positions in shares of associated corporation

		Number of ordinary shares held				
Name of associated corporation	Name of Directors	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporation)	Family interests (interests of spouse)	Total interests	Approximate % of interest in the issued share capital
NLI	Lu Wing Chi, Jesse	93,876	—	—	93,876	60.00
	Lambert Lu	62,584	—	—	62,584	40.00

Saved as disclosed herein, as at 31 December 2018, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2018, so far as is known to the Directors, the following substantial Shareholders and other persons (other than Directors) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

	Number of ordinary shares			
Name of Shareholders	Held as beneficial owner	Held by controlled corporation	Total interests	Approximate % of interest in the issued share capital
NLI	338,749,740	—	338,749,740	51.17
NYH	—	74,917,990[(i)]	74,917,990	11.32
SEA Fortune	—	74,917,990[(i)]	74,917,990	11.32
Port Lucky	74,917,990	—	74,917,990	11.32

Notes:

(i) NYH holds 100% of the issued share capital of SEA Fortune, which in turn holds 100% of the issued share capital of Port Lucky. The above 74,917,990 shares held by Port Lucky are also deemed to be interest of SEA Fortune and NYH and such shares are, therefore, duplicated between these shareholders for the purpose of the SFO.

(ii) Messrs Lu Wing Chi, Jesse and Lambert Lu, both being Directors, are also directors of NLI.

(iii) Messrs Lu Wing Chi, Jesse, Lambert Lu and Lincoln Lu, all being Directors, are also directors of NYH, SEA Fortune and Port Lucky.

(iv) The total number of issued shares of the Company as at 31 December 2018 was 662,058,726 shares.

Saved as disclosed herein, as at 31 December 2018, none of the substantial Shareholders and other persons (other than Directors) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

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

1.	Purpose:	To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the 2015 Share Option Scheme).
2.	Participants:	Eligible participants include any (i) director or employee of the Company or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by the Company or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of the Company or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of the Company or any of its affiliate.
3.	Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the issued share capital that it represents as at the date of this Annual Report:	The maximum number of shares which could be issued upon exercise of all options granted or to be granted under the 2015 Share Option Scheme was 69,186,772 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 29 May 2015, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the 2015 Share Option Scheme. As at 28 March 2019, a total of 54,036,772 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the 2015 Share Option Scheme, which represented approximately 8.16% of the issued share capital of the Company on that date.

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

The following table shows the movements in share options under the 2015 Share Option Scheme during the year ended 31 December 2018 and the options outstanding at the beginning and end of the year:

				Number of underlying shares comprised in share options				
Name	**Date of grant**	**Exercise price per share** (HK$)	**Exercise period**	**As at 01.01.2018**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**As at 31.12.2018**
Eligible employees in aggregate	02.07.2015	6.302	01.07.2017 to 30.06.2019	225,000	—	(225,000)	—	—
			01.01.2018 to 31.12.2019	2,050,000	—	(2,050,000)	—	—
			01.07.2018 to 30.06.2020	4,250,000	—	(2,950,000)	(800,000)	500,000
	22.01.2018	12.800	01.01.2019 to 31.12.2020	—	325,000	—	—	325,000
			01.07.2019 to 30.06.2021	—	400,000	—	—	400,000
			01.01.2020 to 31.12.2021	—	500,000	—	—	500,000
			01.07.2020 to 30.06.2022	—	525,000	—	(300,000)	225,000
			01.01.2021 to 31.12.2022	—	1,950,000	—	(350,000)	1,600,000
			01.07.2021 to 30.06.2023	—	2,075,000	—	(525,000)	1,550,000
Total				6,525,000	5,775,000	(5,225,000)	(1,975,000)	5,100,000

Notes:

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

(ii) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by the eligible employees was HK$12.03 per share.

(iii) No share options had been cancelled under the 2015 Share Option Scheme for the year ended 31 December 2018.

Share Award Scheme

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

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

During the year ended 31 December 2018, a total of 2,900,000 shares of the Company were awarded to the Directors without vesting period. The awarded shares were acquired by the trustee of the Share Award Scheme in the open market after the date of grant and the awarded shares were transferred to the awardees in May 2018 at nil consideration.

Details of the shares of the Company awarded during the year ended 31 December 2018 are as follows:

		Number of awarded shares		
Name	**Date of grant**	**Granted during the year**	**Vested during the year**	**As at 31.12.2018**
Directors				
Lu Wing Chi, Jesse	22.01.2018	1,000,000	(1,000,000)	—
Lambert Lu	22.01.2018	1,000,000	(1,000,000)	—
Lam Sing Tai	22.01.2018	500,000	(500,000)	—
Lincoln Lu	22.01.2018	100,000	(100,000)	—
Walujo Santoso, Wally	22.01.2018	100,000	(100,000)	—
Leung Hok Lim	22.01.2018	100,000	(100,000)	—
Chung Pui Lam	22.01.2018	100,000	(100,000)	—
Total		2,900,000	(2,900,000)	—

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2018, the Company repurchased a total of 16,926,000 Shares on the Stock Exchange at an aggregate cash consideration of HK$211,542,101 (excluding expenses) and cancelled all the purchased shares. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration
		Highest	Lowest	
		HK$	HK$	HK$
January 2018	3,696,000	12.64	11.20	44,783,200
May 2018	12,332,000	13.00	12.00	157,100,400
June 2018	500,000	12.90	12.76	6,417,680
October 2018	398,000	9.50	8.00	3,240,821
	16,926,000			211,542,101

The Directors considered that the aforesaid shares were repurchased at a discount to the underlying fair value per share and such purchases resulted in an increase in the net asset value and earnings of every remaining share of the Company.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2018.

Major Suppliers and Major Customers

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

Related Party Transactions

Details of the significant related party transactions undertaken in the usual course of business are set out in note 44 to the Financial Statements. All such related party transactions are fully exempt connected transactions under Chapter 14A of the Listing Rules.

Corporate Governance

The Company is committed to maintain high corporate governance standards so as to ensure better transparency and protection of Shareholders' interests. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 25 to 39.

Sufficiency of Public Float

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

Charitable Donations

During the year, the Group made charitable donations amounting to about HK$252,000 (2017: HK$249,000).

Five-Year Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the section headed "Financial Highlights" on page 6.

Review by Audit Committee

The Audit Committee comprises three members, namely Messrs Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all being INED. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2018.

Independent Auditor

The consolidated financial statements of the Company for the year under review have been audited by Deloitte, who will retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Deloitte as independent auditor of the Company for the ensuing year will be put to the 2019 AGM for the Shareholders' approval.

On behalf of the Board

Lu Wing Chi, Jesse
Chairman

Hong Kong, 28 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Shareholders of S E A Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 61 to 158, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter as the valuation is subject to management estimate and has a significant impact on the financial result and financial position of the Group. As disclosed in note 20 to the consolidated financial statements, the carrying value of the investment properties amounted to approximately HK$6,036 million as at 31 December 2018 and the increase in fair value of the investment properties recorded in the profit for the year was approximately HK$11 million. In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified professional valuers (the "Valuers") to perform the valuation. The Valuers have determined the fair values of the Group's investment properties by the use of appropriate valuation methodologies, and key inputs as below: (i) capitalisation rate under income capitalisation approach; (ii) discount rate under discounted cash flow analysis; and (iii) adjusting factors such as location, size, age and maintenance under direct comparison approach.	Our procedures in relation to the valuation of investment properties included: ▪ Evaluating the competence, capabilities and objectivity of the Valuers; ▪ Obtaining an understanding of the valuation process and significant assumptions and critical judgements to assess if the methodologies meet relevant accounting requirements and industry norms; and ▪ Evaluating the appropriateness and reasonableness of the following key inputs: (i) capitalisation rate under income capitalisation approach; (ii) discount rate under discounted cash flow analysis; and (iii) adjusting factors such as location, size, age and maintenance under direct comparison approach.

Key audit matter	**How our audit addressed the key audit matter**
Valuation of unlisted investment in the Cayman Islands and convertible loans classified as financial assets at fair value through profit or loss	
We identified the valuation of unlisted investment in the Cayman Islands and convertible loans classified as financial assets at fair value through profit or loss (the "Investments") as a key audit matter as the valuation is subject to management estimate and judgement in selecting appropriate valuation technique, assumptions and estimates used. As disclosed in notes 25 and 37(c) to the consolidated financial statements, the Investments were subject to fair value valuation at each reporting period. The carrying value of the Investments consist of HK$235 million of unlisted investment in the Cayman Islands and HK$90 million of convertible loans as at 31 December 2018. In estimating the fair value, the management based on the combination of Market Approach and Black-Scholes Options Pricing Model with the key inputs of the price to earnings ratio by reference to the listed entities with similar characteristics, discount for marketability, risk free rate and expected volatility.	Our procedures in relation to the valuation of the Investments included: ▪ Obtaining an understanding of the entity's valuation process in selecting valuation model, adopting assumptions and estimates; ▪ Engaging our internal valuation expert to evaluate the appropriateness of the valuation model adopted; ▪ Engaging our internal valuation expert to evaluate the appropriateness of the key inputs in the Black-Scholes Option Pricing Model, including risk free rate and expected volatility and evaluate the potential impact in relation to the reasonably possible change in the above key inputs; and ▪ Engaging our internal valuation expert to evaluate the appropriateness of the key inputs in the Market Approach, including price to earnings ratio and discount rate on marketability, and also evaluate the potential impact in relation to the reasonably possible change in the above key inputs.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	7		
— Renting of investment properties		**209,228**	152,765
— Hotel operation		**249,994**	233,411
— Return from financial investment		**319,573**	190,256
Total revenue		**778,795**	576,432
Other income	8	**26,652**	11,645
Costs:			
Property and related costs	9	**(13,762)**	(11,280)
Staff costs		**(153,337)**	(149,145)
Depreciation and amortisation		**(29,136)**	(26,998)
Other expenses	10	**(118,800)**	(135,083)
		(315,035)	(322,506)
Profit from continuing operations before fair value changes on investment properties		**490,412**	265,571
Fair value changes on investment properties		**10,856**	17,571
Profit from continuing operations after fair value changes on investment properties		**501,268**	283,142
Other losses	11	**(49)**	(29,999)
Share of result of a joint venture		**(40)**	—
Finance costs	12	**(360,875)**	(196,363)
Profit before taxation	13	**140,304**	56,780
Income tax expense	14	**(19,004)**	(16,406)
Profit for the year from continuing operations		**121,300**	40,374
Discontinued operations			
Profit for the year from discontinued operations	17	**—**	713
Gain arising from Distribution in Specie (as defined in note 17)	46	**—**	226,927
Profit for the year from discontinued operations		**—**	227,640
Profit for the year (from continuing and discontinued operations)		**121,300**	268,014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
Attributable to:			
Company's shareholders			
— Continuing operations		**121,026**	40,391
— Discontinued operations		**—**	226,935
		121,026	267,326
Non-controlling interests			
— Continuing operations		**274**	(17)
— Discontinued operations		**—**	705
		274	688
Profit for the year		**121,300**	268,014
		HK cents	HK cents
Earnings per share for profit attributable to the Company's shareholders	19		
From continuing and discontinued operations			
— Basic		**18.2**	39.3
— Diluted		**18.2**	39.1
From continuing operations			
— Basic		**18.2**	5.9
— Diluted		**18.2**	5.9
Earnings per share excluding fair value changes on investment properties net of deferred tax	19		
— Basic		**16.6**	36.9
— Diluted		**16.5**	36.6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 **HK$'000**	2017 HK$'000
Profit for the year (from continuing and discontinued operations)	**121,300**	268,014
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on:		
Debt instruments at fair value through other comprehensive income	**(27,390)**	—
Available-for-sale investments	**—**	5,304
Exchange differences arising on translation of foreign operations	**(14,552)**	39,317
Reclassification adjustments for amounts transferred to profit or loss:		
— fair value loss on debt instruments at fair value through other comprehensive income	**49**	—
— upon disposal of available-for-sale investments	**—**	29,999
— upon Distribution in Specie (note 46)	**—**	(226,927)
Other comprehensive expense for the year	**(41,893)**	(152,307)
Total comprehensive income for the year	**79,407**	115,707
Total comprehensive income for the year attributable to:		
Company's shareholders	**79,133**	115,130
Non-controlling interests	**274**	577
Total comprehensive income for the year	**79,407**	115,707

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	20	**6,036,230**	6,214,249
Property, plant and equipment	21	**650,904**	670,925
Investment in a joint venture	22	**1,050,460**	1,728,800
Available-for-sale investments	23	**—**	3,165,101
Debt instruments at fair value through other comprehensive income	24	**2,950,698**	—
Financial assets at fair value through profit or loss	25	**250,573**	—
Loan receivables	26	**—**	1,688
Pledged bank deposits	29	**26,333**	—
Other assets	27	**6,779**	6,839
		10,971,977	11,787,602
Current assets			
Inventories		**915**	1,062
Available-for-sale investments	23	**—**	1,327,704
Debt instruments at fair value through other comprehensive income	24	**1,448,979**	—
Financial assets at fair value through profit or loss	25	**81,747**	—
Loan receivables	26	**—**	199
Note receivable	28	**—**	39,067
Trade and other receivables, deposits and prepayments	30	**37,621**	85,829
Tax recoverable		**1**	10
Amounts due from non-controlling interests	31	**4**	40
Pledged bank deposits	29	**1,574,819**	1,533,852
Bank balances and cash	29	**5,870,023**	4,235,738
		9,014,109	7,223,501
Current liabilities			
Payables, rental deposits and accrued charges	32	**204,973**	189,703
Tax liabilities		**22,293**	8,811
Bank borrowings — due within one year	33	**6,215,708**	6,318,864
		6,442,974	6,517,378
Net current assets		**2,571,135**	706,123
Total assets less current liabilities		**13,543,112**	12,493,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	35	**66,206**	67,376
Reserves		**5,945,348**	6,075,208
Equity attributable to the Company's shareholders		**6,011,554**	6,142,584
Non-controlling interests		**4**	1,498
Total equity		**6,011,558**	6,144,082
Non-current liabilities			
Bank borrowings — due after one year	33	**4,763,702**	4,748,442
Guaranteed notes	34	**2,726,740**	1,553,287
Deferred taxation	36	**41,112**	47,914
		7,531,554	6,349,643
Total equity and non-current liabilities		**13,543,112**	12,493,725

The consolidated financial statements on pages 61 to 158 were approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

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Lu Wing Chi, Jesse
CHAIRMAN
AND EXECUTIVE DIRECTOR

____
LAMBERT LU
CHIEF EXECUTIVE
AND EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the Company's shareholders														
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Translation reserve HK$'000	Capital redemption reserve HK$'000	Shares on trust for awardees under share award scheme HK$'000	Share award reserve HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Other reserves HK$'000 (note ii)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	67,656	141,610	277,707	194,001	4,451	—	—	11,042	6,823	(63,057)	20,148	11,390,596	12,050,977	281,727	12,332,704
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	267,326	267,326	688	268,014
Exchange differences arising on translation of foreign operations	—	—	—	39,591	—	—	—	—	—	—	—	—	39,591	(274)	39,317
Reclassification adjustments for amounts transferred to profit or loss upon Distribution in Species (note 46)	—	—	—	(226,927)	—	—	—	—	(6,823)	—	11	6,812	(226,927)	—	(226,927)
Fair value change on available-for-sale investments	—	—	—	—	—	—	—	—	—	5,141	—	—	5,141	163	5,304
Reclassification adjustments for amounts transferred to profit or loss upon disposal of available-for-sale investments	—	—	—	—	—	—	—	—	—	29,999	—	—	29,999	—	29,999
Other comprehensive (expense) income for the year	—	—	—	(187,336)	—	—	—	—	(6,823)	35,140	11	6,812	(152,196)	(111)	(152,307)
Total comprehensive (expense) income for the year	—	—	—	(187,336)	—	—	—	—	(6,823)	35,140	11	274,138	115,130	577	115,707
Recognition of equity-settled share based payments — share options	—	—	—	—	—	—	—	2,525	—	—	—	—	2,525	—	2,525
Shares issued upon exercise of share options	553	31,724	—	—	—	—	—	(4,429)	—	—	—	—	27,848	—	27,848
Lapse of vested share options	—	—	—	—	—	—	—	(2,991)	—	—	—	2,991	—	—	—
Share repurchased and cancelled	(833)	(77,150)	—	—	—	—	—	—	—	—	—	—	(77,983)	—	(77,983)
Dividends paid (note 18)	—	—	—	—	—	—	—	—	—	—	—	(2,092,161)	(2,092,161)	—	(2,092,161)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(316,482)	(316,482)
Special non-cash dividend by way of Distribution in Specie (note 46)	—	—	—	—	—	—	—	—	—	—	—	(3,883,752)	(3,883,752)	35,676	(3,848,076)
At 31 December 2017	67,376	96,184	277,707	6,665	4,451	—	—	6,147	—	(27,917)	20,159	5,691,812	6,142,584	1,498	6,144,082
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	121,026	121,026	274	121,300
Exchange differences arising on translation of foreign operations	—	—	—	(14,552)	—	—	—	—	—	—	—	—	(14,552)	—	(14,552)
Fair value loss on investment in debt instruments measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	(27,390)	—	—	(27,390)	—	(27,390)
Reclassification adjustments for amounts transferred to profit or loss upon early redemption of debt instruments measured at fair value through other comprehensive income	—	—	—	—	—	—	—	—	—	49	—	—	49	—	49
Other comprehensive expense for the year	—	—	—	(14,552)	—	—	—	—	—	(27,341)	—	—	(41,893)	—	(41,893)
Total comprehensive (expense) income for the year	—	—	—	(14,552)	—	—	—	—	—	(27,341)	—	121,026	79,133	274	79,407
Recognition of equity-settled share based payments — share options	—	—	—	—	—	—	—	1,739	—	—	—	—	1,739	—	1,739
— share award	—	—	—	—	—	—	37,120	—	—	—	—	—	37,120	—	37,120
Shares issued upon exercise of share options	523	37,901	—	—	—	—	—	(5,496)	—	—	—	—	32,928	—	32,928
Purchase of shares under Share Award Scheme	—	—	—	—	—	(37,385)	—	—	—	—	—	—	(37,385)	—	(37,385)
Shares transferred to participants under share award scheme	—	—	—	—	—	37,385	(37,120)	—	—	—	—	(265)	—	—	—
Share repurchased and cancelled	(1,693)	(209,850)	—	—	—	—	—	—	—	—	—	—	(211,543)	—	(211,543)
Dividends paid (note 18)	—	—	—	—	—	—	—	—	—	—	—	(33,022)	(33,022)	—	(33,022)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,768)	(1,768)
Transfer between share premium and retained profits	—	94,833	—	—	—	—	—	—	—	—	—	(94,833)	—	—	—
At 31 December 2018	**66,206**	**19,068**	**277,707**	**(7,887)**	**4,451**	**—**	**—**	**2,390**	**—**	**(55,258)**	**20,159**	**5,684,718**	**6,011,554**	**4**	**6,011,558**

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
Operating activities			
Profit before taxation (from continuing and discontinued operations)		**140,304**	289,618
Adjustments for:			
Interest expenses		**360,875**	200,574
Depreciation and amortisation		**29,136**	27,855
Fair value changes on investment properties		**(10,856)**	(17,571)
Loss on disposal of available-for-sales investments		**—**	29,999
Fair value loss on early redemption of debt instruments at fair value through other comprehensive income		**49**	—
Share of result of a joint venture		**40**	—
Gain on Distribution in Specie	46	**—**	(226,927)
Interest income		**(319,798)**	(192,965)
Gain on disposal of property, plant and equipment		**(130)**	(132)
Equity-settled share-based payment expenses		**38,859**	2,525
Net exchange gain		**(23,343)**	(5,969)
Operating cash flows before movements in working capital		**215,136**	107,007
Decrease in inventories		**147**	134
Decrease (increase) in receivables, deposits and prepayments		**42,663**	(17,767)
Increase in payables, rental deposits and accrued charges		**4,157**	45,012
Cash generated from operations		**262,103**	134,386
Interest received from financial investment		**366,333**	303,127
Tax paid		**(7,762)**	(13,985)
Tax refunded		**3**	3,963
Net cash from operating activities		**620,677**	427,491

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Investing activities			
Repayment of loan receivables		**1,887**	1,649
Interest received from bank deposits		**225**	1,961
Placement of pledged bank deposits		**(81,750)**	(1,000,023)
Release of pledged bank deposits		**17,449**	—
Withdrawal of fixed deposits		**—**	4,460,201
Redemption of note receivable at maturity		**—**	15,215
Redemption of available-for-sale investments at maturity		**—**	427,352
Redemption of debt instruments at fair value through other comprehensive income at maturity		**3,286,280**	—
Redemption of financial assets at fair value through profit or loss at maturity		**39,245**	—
Purchase of property, plant and equipment		**(10,769)**	(32,959)
Acquisitions of investment properties through acquisition of subsidiaries	45	**—**	(4,143,178)
Additions to investment properties		**(80,144)**	(10,166)
Proceeds on disposals of property, plant and equipment		**1,844**	469
Proceeds on disposal of available-for-sale investments		**—**	151,171
Purchase of available-for-sale investments		**—**	(3,660,161)
Purchase of debt instruments at fair value through other comprehensive income		**(3,263,745)**	—
Purchase of financial assets at fair value through profit or loss		**(322,954)**	—
Repayment from (advances to) non-controlling interests		**36**	(2)
Repayment from (advances to) a joint venture in form of loan		**678,300**	(1,728,800)
Net cash from (used in) investing activities		**265,904**	(5,517,271)
Financing activities			
Draw down of bank borrowings		**3,882,266**	8,010,406
Repayments of bank borrowings		**(3,715,810)**	(1,334,005)
Payment of guaranteed notes issue costs		**(11,202)**	(13,693)
Payment of front-end fee		**(3,600)**	(26,252)
Issue of guaranteed notes		**1,172,940**	1,555,480
Issue of new ordinary shares		**32,928**	27,848
Repurchase of ordinary shares		**(211,543)**	(77,983)
Payment for shares under share award scheme		**(37,385)**	—
Distribution in Specie	46	**—**	(1,743,434)
Interest paid		**(327,455)**	(212,140)
Dividends paid		**(33,015)**	(2,091,634)
Dividends paid to non-controlling interests		**(1,768)**	(316,482)
Net cash from financing activities		**746,356**	3,778,111
Net increase (decrease) in cash and cash equivalents		**1,632,937**	(1,311,669)
Cash and cash equivalents at beginning of the year		**4,235,738**	5,538,954
Effect of foreign exchange rate changes		**1,348**	8,453
Cash and cash equivalents at end of the year represented by bank balances and cash		**5,870,023**	4,235,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

S E A Holdings Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Nan Luen International Limited, an exempted limited company incorporated in Bermuda, has become the immediate and ultimate holding company of the Company since August 2018. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries and a joint venture are set out in notes 48 and 22 respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

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

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year *— continued*

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue* and the related interpretations.

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

The Group recognises hotel room revenue over time based on output method, and recognised revenue from food and beverage sales and ancillary services at a point in time.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 7 and 3 respectively.

There was no material financial impact of the transition to HKFRS 15 on the Group's retained profits at 1 January 2018.

2.2 HKFRS 9 *Financial Instruments*

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

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year *— continued*

2.2 HKFRS 9 *Financial Instruments* — *continued*

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments HK$'000	Note receivable HK$'000	Debt instruments at fair value through other comprehensive income ("FVTOCI") HK$'000	Financial assets at fair value through profit or loss ("FVTPL") HK$'000
Closing balances at 31 December 2017-HKAS 39		4,492,805	39,067	—	—
Effect arising from initial recognition of HKFRS 9:					
Reclassification from available-for-sale investments	(a)	(4,492,805)	—	4,486,554	6,251
Reclassification from loans and receivables	(b)	—	(39,067)	—	39,067
Opening balance at 1 January 2018		—	—	4,486,554	45,318

Notes:

(a) Available-for-sale ("AFS") investments

From AFS investments to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's unit fund investment of HK$6,251,000, which previously was measured at fair value, was reclassified from AFS investment to financial asset at FVTPL as they did not have contractual cashflows which are solely payments of principal and interest on the principal amount outstanding, and were not equity investments.

From AFS debt investments to debt instruments at FVTOCI

Listed and unlisted debt securities with a fair value of HK$4,486,554,000 in aggregate were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets, and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. The related fair value loss of HK$27,917,000 relating to those investments continued to accumulate in the investment revaluation reserve as at 1 January 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year — *continued*

2.2 HKFRS 9 *Financial Instruments* — *continued*

Summary of effects arising from initial application of HKFRS 9 — continued

Notes: — *continued*

(b) From note receivable to financial assets at FVTPL

Note receivable of HK$39,067,000 previously classified as loans and receivables was reclassified to financial assets at FVTPL upon the application of HKFRS 9 because its contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding. The carrying amount which was measured at amortised costs was approximate to the fair value as at 31 December 2017 and therefore, no adjustments on carrying amount on the date of initial adoption, i.e. 1 January 2018.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables for hotel operation and renting of investment properties. Trade receivables for hotel operation and renting of investment properties have been assessed on individual basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

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

The Group's debt instruments at FVTOCI consisted of listed and unlisted debt securities that either have investment grades, issued by large PRC state-owned enterprises or large listed companies with sound financial capability and no default occurred in the past years. Therefore, these debt instruments at FVTOCI are considered to be low credit risk and the loss allowance is assessed on 12m ECL basis.

The adoption of ECL for impairment assessment of all financial assets under HKFRS 9 has not resulted in material impact to the carrying amounts of all financial assets, investment revaluation reserve and retained profits as at 1 January 2018.

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective — *continued*

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as low value or short-term leases.

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

New and amendments to HKFRSs in issue but not yet effective — *continued*

HKFRS 16 *Leases* — *continued*

In addition, the Company currently considers refundable rental deposits received of HK$5,095,000 as right and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits received would be considered as advanced lease payments.

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

Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies HKFRS 9, including the impairment requirements, to long-term interest in a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interest arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31 December 2018, loan to a joint venture of HK$1,050,499,000 is considered as long-term interest that, in substance form part of the Group's net investment in the relevant joint venture. However, the application is not expected to have impact as the management consider the credit risk of the joint venture is minimal.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Basis of consolidation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Basis of consolidation — *continued*

Changes in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the Company's shareholders. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a joint venture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *— continued*

Investment in a joint venture *— continued*

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

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

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

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

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

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

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

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

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

Hotel room revenue is recognised over time by using output method; while revenue from food and beverage sales and ancillary services are recognised at point in time.

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

Output method

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

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

Services and interests

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Property, plant and equipment

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

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

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

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment on tangible and intangible assets — *continued*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *— continued*

Financial instruments *— continued*

Financial assets

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

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

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

(i) Amortised cost and interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial assets — *continued*

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

(ii) Debt instruments classified as FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial assets — *continued*

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

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

(i) Significant increase in credit risk

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial assets — *continued*

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

(i) Significant increase in credit risk — *continued*

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk which has either investment grades or issued by a large institution.

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

(ii) Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *— continued*

Financial instruments *— continued*

Financial assets — *continued*

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial assets — *continued*

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

(v) Measurement and recognition of ECL — *continued*

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

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

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

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

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial assets — *continued*

AFS investments

AFS investments are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated the investments as set out in note 23 as available-for-sale investments on initial recognition on those items.

Equity and debt securities held by the Group that are classified as AFS investments are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial assets — *continued*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) — continued

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *— continued*

Financial instruments *— continued*

Financial assets — *continued*

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. For the share purchased for the shares award scheme, the cost of the Company's shares purchased through a trustee is recognised as a deduction from the reserve of shares hold for share award scheme. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings, and guaranteed notes are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Financial instruments — *continued*

Financial liabilities and equity — *continued*

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Intangible asset-club membership

Intangible asset-club membership acquired separately

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

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

Leases

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

The Group as lessor

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases — *continued*

The Group as lessee

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

Leasehold land and building

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

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Foreign currencies

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

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Share-based payment

Equity-settled share-based payment transactions

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

Share options granted to employees

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

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

Share awards granted to employees and directors

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expected on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share award reserve). At the date of grant, the shares held under shares on trust for awardees under share award scheme transfers to share award reserve. The share awards vested immediately at the date of grant, the fair value of the share awards granted is expensed immediately to profit or loss with the corresponding decrease in equity (share award reserve).

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES — *continued*

Taxation — *continued*

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty *— continued*

Income tax

As at 31 December 2018, a deferred tax asset of HK$17,078,000 (2017: HK$14,740,000) in relation to unused tax losses of HK$98,332,000 (2017: HK$83,607,000) has been recognised to offset with the deferred tax liabilities arisen from same entities. No deferred tax asset has been recognised on the remaining tax losses of HK$151,370,000 (2017: HK$103,941,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised profit or loss for the period in which such reversal or further recognition takes place.

Fair value of investment properties

Investment properties with a carrying amount of HK$6,036,230,000 in aggregate (2017: HK$6,214,249,000) are stated at fair value based on the valuation performed by independent qualified professional valuers. In determining the fair values, the valuers have used different methods of valuation which involve certain assumptions of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the methods of valuation are reflective of the current market conditions. Changes in assumption relating to these factors could affect the reported fair values of the investment properties. See note 20 for further disclosures.

Fair value measurement of financial assets at FVTPL

The Group's financial assets at FVTPL as disclosed in note 25 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 37(c) for further disclosures.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings net of pledged bank deposits, and bank balances and cash, investments in debt securities, and equity attributable to the Company's shareholders, comprising issued share capital, retained profits and reserves.

5. CAPITAL RISK MANAGEMENT — *continued*

The directors of the Company review the capital structure periodically, monitor the level of bank borrowings and manage the leverage yield of returns while targeted to maintain a low gearing. The Group's percentage of net debt to the carrying value of properties (comprising investment properties, properties included in property, plant and equipment and investment in a joint venture) at the end of the reporting period.

	2018 **HK$'000**	2017 HK$'000
Bank balances and cash	**5,870,023**	4,235,738
Pledged bank deposits	**1,601,152**	1,533,852
Available-for-sale investments	**—**	4,492,805
Debt instruments at fair value through other comprehensive income	**4,399,677**	—
Financial assets at fair value through profit or loss	**332,320**	—
Guaranteed notes	**(2,726,740)**	(1,553,287)
Bank borrowings	**(10,979,410)**	(11,067,306)
Net debt	**(1,502,978)**	(2,358,198)
Total carrying value of properties	**6,667,440**	6,864,801
Investment in a joint venture	**1,050,460**	1,728,800
	7,717,900	8,593,601
Percentage of net debt to carrying value of properties and investment in a joint venture which engaged in property development	**19.5%**	27.4%

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment, hotel operation and financial investment.

The property investment segment includes a number of various property locations, each locations is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment as property investment provide the same nature of income with the same recognition criteria.

The financial investment segment includes interest revenue from listed and unlisted securities and time deposits.

6. SEGMENT INFORMATION — *continued*

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

Segment revenues and results

For the year ended 31 December 2018

Continuing operations

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External revenue	—	209,228	249,994	319,573	778,795
SEGMENT RESULTS					
Segment (loss) profit	(327)	200,311	82,891	311,715	594,590
Unallocated interest income					225
Corporate income less expenses					(93,596)
Share of result of a joint venture					(40)
Finance costs					(360,875)
Profit before taxation					140,304

For the year ended 31 December 2017

Continuing operations

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External revenue	—	152,765	233,411	190,256	576,432
SEGMENT RESULTS					
Segment (loss) profit	(232)	134,613	69,958	151,730	356,069
Unallocated interest income					1,961
Corporate income less expenses					(104,887)
Finance costs					(196,363)
Profit before taxation					56,780

Segment profit of the property investment division for year ended 31 December 2018 included an increase in fair value of investment properties of HK$10,856,000 (2017: HK$17,571,000).

The Group does not allocate interest income generated from bank deposits and second mortgage loans, corporate income less expenses, share of result of a joint venture and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the CODM.

6. SEGMENT INFORMATION — *continued*

Segment revenues and results — *continued*

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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Other segment profit or loss information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2018

Continuing operations

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Financial investment HK$'000	Consolidated HK$'000
Amortisation and depreciation					
— Other assets	—	60	—	—	60
— Property, plant and equipment	—	3,208	25,868	—	29,076
Fair value changes on investment properties	—	(10,856)	—	—	(10,856)
(Gain) loss on disposal of property, plant and equipment	—	(244)	114	—	(130)

For the year ended 31 December 2017

Continuing operations

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

6. SEGMENT INFORMATION — *continued*

Geographical information

The Group's operations are located in Hong Kong (country of domicile), Australia and the UK.

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Hong Kong	570,440	430,299
Australia	16,787	16,313
UK	191,568	129,820
	778,795	576,432

Other than the tenant of 33 Old Broad Street and 20 Moorgate from whom the rental income represents 14% (2017: 8%) and 10% (2017: 13%) of the total revenue of the Group respectively, there is no other single customer who contributes over 10% of the total revenue of the Group.

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Hong Kong	2,293,083	2,222,164
Australia	157,738	174,615
UK	4,243,092	4,495,234
	6,693,913	6,892,013

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Hong Kong	15,481,420	14,209,449
Australia	198,391	210,588
UK	4,306,275	4,591,066
	19,986,086	19,011,103

7. REVENUE

	2018 HK$'000	2017 HK$'000
Continuing operations		
Renting of investment properties	**209,228**	152,765
Hotel operation (note i)	**249,994**	233,411
Return from financial investment (note ii)	**319,573**	190,256
	778,795	576,432

Notes:

i. For the year ended 31 December 2018, revenue from hotel operation, which arises from contracts with customers is recognised in accordance with HKFRS 15, comprises of (i) HK$197,969,000 for hotel room revenue recognised over time and based on output method; (ii) HK$39,987,000 for revenue from food and beverage sales and HK$12,038,000 for revenue from ancillary service are recognised at point in time.

ii. Return from financial investment represents interest revenue derived from listed and unlisted securities and time deposits.

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Continuing operations		
Net exchange gain	**23,343**	5,969
Interest earned on bank deposits	**182**	1,832
Interest income from second mortgage loans	**43**	129
Others	**3,084**	3,715
	26,652	11,645

9. PROPERTY AND RELATED COSTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Selling and marketing expenses	**828**	919
Direct operating expenses of investment properties	**12,934**	10,361
	13,762	11,280

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For the year ended 31 December 2018

10. OTHER EXPENSES

	2018 HK$'000	2017 HK$'000
Included in other expenses are:		
Continuing operations		
Hotel operating expenses	58,893	57,119
Legal and professional fees	20,689	42,159

11. OTHER LOSSES

	2018 HK$'000	2017 HK$'000
Continuing operations		
Loss on disposal of available-for-sale investments	—	29,999
Reclassification of fair value loss on early redemption of debt instruments at FVTOCI	49	—
	49	29,999

12. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Bank borrowings		
Amortisation of bank borrowings front-end fee	8,593	5,625
Interest on bank borrowings	215,034	114,646
	223,627	120,271
Guaranteed notes		
Amortisation of guaranteed notes issued costs	6,737	4,353
Interest on guaranteed notes	125,042	66,691
	131,779	71,044
Other charges	5,469	5,048
	360,875	196,363

13. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Continuing operations		
Auditor's remuneration	**1,600**	2,022
Equity-settled share-based payment expenses		
- Share options	**1,739**	2,525
- Share award	**37,120**	—
Gain on disposal of property, plant and equipment	**(130)**	(132)
Gross rental income from investment properties	**(209,228)**	(152,765)
Less: Direct operating expenses	**12,934**	10,361
Net rental income	**(196,294)**	(142,404)

14. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Continuing operations		
Current tax		
Hong Kong	4,313	4,263
Australia	3,515	3,375
The United Kingdom	16,463	4,630
	24,291	12,268
(Over)underprovision in prior years		
Hong Kong	(606)	285
The United Kingdom	(1,413)	203
	(2,019)	488
Deferred tax (note 36)		
— current year	(3,268)	3,650
	19,004	16,406

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the qualifying group entity.

The United Kingdom Corporate Tax is calculated at 20% of the estimated assessable profit for both years.

Income tax arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

Details of deferred taxation are set out in note 36.

14. INCOME TAX EXPENSE — *continued*

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Profit before taxation	**140,304**	56,780
Tax at the domestic income tax rate of 16.5%	**(23,150)**	(9,369)
Tax effect of expenses not deductible for tax purposes	**(44,303)**	(50,924)
Tax effect of income not taxable for tax purposes	**59,197**	40,376
Tax effect of tax losses not recognised	**(8,739)**	(1,147)
Utilisation of tax losses previously not recognised	**418**	9,825
Income tax at concessionary rate	**165**	—
Effect of different tax rates of subsidiaries operating overseas	**(4,714)**	(4,630)
Over(under)provision in prior years	**2,019**	(488)
Others	**103**	(49)
Income tax expense for the year	**(19,004)**	(16,406)

15. DIRECTORS' AND CHIEF EXECUTIVES EMOLUMENTS

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

	Mr. Lu Wing Chi, Jesse HK$'000	Mr. Lambert Lu HK$'000	Mr. Lam Sing Tai HK$'000	Mr. Lincoln Lu HK$'000	Mr. Walujo Santoso, Wally HK$'000	Mr. Leung Hok Lim HK$'000	Mr. Chung Pui Lam HK$'000	Total HK$'000
2018								
Fees	**20**	**20**	**20**	**20**	**200**	**250**	**250**	**780**
Other emoluments								
Salaries and other benefits	**4,800**	**6,000**	**2,400**	**—**	**—**	**—**	**—**	**13,200**
Discretionary and performance -based bonus (note below)	**2,801**	**2,801**	**200**	**—**	**—**	**—**	**—**	**5,802**
Retirement benefits scheme contributions	**720**	**750**	**360**	**—**	**—**	**—**	**—**	**1,830**
Share-based payment expenses — share awards (note 42)	**12,800**	**12,800**	**6,400**	**1,280**	**1,280**	**1,280**	**1,280**	**37,120**
Total emoluments	**21,141**	**22,371**	**9,380**	**1,300**	**1,480**	**1,530**	**1,530**	**58,732**
2017								
Fees	92	92	92	92	200	250	250	1,068
Other emoluments								
Salaries and other benefits	6,600	4,800	2,400	1,600	—	—	—	15,400
Discretionary and performance -based bonus (note below)	5,779	5,779	500	500	—	—	—	12,558
Retirement benefits scheme contributions	990	600	360	200	—	—	—	2,150
Total emoluments	13,461	11,271	3,352	2,392	200	250	250	31,176

Note:

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

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

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

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

16. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2017: four directors), details of whose remuneration are set out in note 15 above. Details of the remuneration for the year of the remaining two (2017: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**2,700**	200
Retirement benefits scheme contributions	**236**	—
Discretionary and performance-based bonus	**440**	1,500
Equity-settled share-based payment	**107**	—
	3,483	1,700

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 42 to the Group's consolidated financial statements.

17. DISCONTINUED OPERATIONS

Group reorganisation

During the year ended 31 December 2017, the Company undertook a restructuring (the "Restructuring") by implementing an Assets Redistribution (as defined below) and a Distribution in Specie (as defined below).

On 31 March 2017, the Company entered into a sale and purchase agreement with Asian Growth Properties Limited ("AGP") (a 97.17% owned subsidiary of the Company prior to completion of the Restructuring) pursuant to which AGP's non-PRC assets (being certain bank balances and cash, an investment property in the United Kingdom (20 Moorgate), a hotel property in Hong Kong (Crowne Plaza Hong Kong Causeway Bay) and certain short-term treasury investments) were redistributed to the Company by way of sale and purchase (the "Assets Redistribution").

On 15 May 2017, the Company completed distribution of a special non-cash dividend by way of Distribution in Specie of the 861,278,857 AGP shares owned by the Company (representing approximately 97.17% of the issued share capital of AGP) to the Company's qualifying shareholders in proportion to their then respective shareholdings in the Company (the "Distribution in Specie"). Following the Distribution in Specie, AGP ceased as a subsidiary of the Company, and accordingly the Group ceased its business and operations in the PRC.

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

	2017 HK$'000
Profit for the year from discontinued operations before gain arising from Distribution in Specie	713
Gain arising from Distribution in Specie: Realisation of translation reserve (note 46)	226,927

17. DISCONTINUED OPERATIONS *— continued*

Group reorganisation *— continued*

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

	2017 HK$'000
Revenue	51,127
Other income	3,940
Costs:	
Property and related costs	(9,083)
Staff costs	(20,929)
Depreciation and amortisation	(857)
Other expenses	(14,076)
	(44,945)
Profit before fair value changes on investment properties	10,122
Fair value changes on investment properties	—
Profit after fair value changes on investment properties	10,122
Finance costs	(4,211)
Profit before taxation	5,911
Income tax expense	(5,198)
Profit for the year	713

The carrying amounts of the assets and liabilities of AGP and its subsidiaries upon the Distribution in Specie are set out in note 46.

18. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividends recognised as distributions during the year:		
2018 interim dividend — HK2 cents (2017: 2017 interim dividend — HK2 cents) per share	**13,242**	13,617
2017 final dividend — HK3 cents (2017: 2016 final dividend — HK6 cents) per share	**19,780**	40,900
Special cash dividend of HK$3 per share	**—**	2,037,644
Special non-cash dividend by way of Distribution in Specie (note 46)	**—**	3,883,752
	33,022	5,975,913
2018 final dividend proposed: HK3 cents (2017: HK3 cents) per share	**19,862**	20,115

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK3 cents (2017: final dividend in respect of the year ended 31 December 2017 of HK3 cents) per ordinary share, in an aggregate amount of HK$19,862,000 (2017: HK$20,115,000), has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming general meeting.

19. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2018 HK$'000	2017 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to the Company's shareholders	**121,026**	267,326

	Number of shares	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**665,171,833**	679,527,074
Effect of dilutive potential ordinary share options	**1,579,016**	4,937,493
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**666,750,849**	684,464,567

19. EARNINGS PER SHARE — *continued*

From continuing operations

	2018 **HK$'000**	2017 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to the Company's shareholders	**121,026**	267,326
Less: result for the year from discontinued operations	**—**	(226,935)
Profit for the year from continuing operations attributable to the Company's shareholders	**121,026**	40,391

From discontinued operations

	2018 **HK$'000**	2017 HK$'000
Profit for the year from discontinued operations attributable to the Company's shareholders	**—**	226,935

	2018 **HK cents**	2017 HK cents
Basic earnings per share	**N/A**	33.4
Diluted earnings per share	**N/A**	33.2

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for share option scheme as set out in note 42.

19. EARNINGS PER SHARE — *continued*

From continuing and discontinued operations (excluding fair value changes on investment properties net of deferred tax)

For the purpose of assessing the performance of the Group, the directors of the Company are of the view that the profit for the year should be adjusted for the fair value changes on investment properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

	2018 HK$'000	2017 HK$'000
Profit for the year attributable to the Company's shareholders as shown in the consolidated statement of profit or loss	121,026	267,326
Fair value changes on investment properties	(10,856)	(17,571)
Deferred tax thereon	—	678
Adjusted profit attributable to the Company's shareholders	110,170	250,433

	2018 HK cents	2017 HK cents
Earnings per share excluding fair value changes on investment properties net of deferred tax		
— Basic	16.6	36.9
— Diluted	16.5	36.6

The denominators used in the calculation of basic and diluted adjusted earnings per share (i) from continuing operations, (ii) from discontinued operations and (iii) from continuing and discontinued operations (excluding fair value changes on investment properties net of deferred tax) for the years ended 31 December 2018 and 2017 are the same as those detailed in the calculation of basic and diluted adjusted earnings per share from continuing and discontinued operations above.

20. INVESTMENT PROPERTIES

	Hong Kong HK$'000	PRC HK$'000	United Kingdom HK$'000	Australia HK$'000	Total HK$'000
At 1 January 2017	14,500	1,951,238	1,555,545	158,358	3,679,641
Additions	10,166	—	—	—	10,166
Acquisition of assets through acquisition of subsidiaries (notes 45(a) and (b))	1,537,403	—	2,634,253	—	4,171,656
Transfer to property, plant and equipment (note 21)	—	(8,369)	—	—	(8,369)
Fair value changes	(17,669)	—	33,442	1,798	17,571
Distribution in Specie (note 46)	—	(1,967,473)	—	—	(1,967,473)
Exchange adjustments	—	24,604	271,994	14,459	311,057
At 31 December 2017	1,544,400	—	4,495,234	174,615	6,214,249
Additions	80,144	—	—	—	80,144
Fair value changes	10,856	—	—	—	10,856
Exchange adjustments	—	—	(252,142)	(16,877)	(269,019)
At 31 December 2018	**1,635,400**	**—**	**4,243,092**	**157,738**	**6,036,230**

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties as at 31 December 2018 and 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by the independent qualified professional valuers not connected to the Group as disclosed in below table.

20. INVESTMENT PROPERTIES — *continued*

Details of the valuation methodology are as follows:

Valuer	Class of properties	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Valuation methodology	Fair value hierarchy	Key inputs to the valuation (including capitalisation rate and marketing value)	Sensitivity analysis
CBRE Limited* (2017: Savills Valuation and Professional Services Limited# and CBRE Limited*)	Residential units in Hong Kong	**1,635,400**	1,544,400	Direct comparison approach and made reference to comparable sales evidence as available in the market adjusted by location, size, age and maintenance, etc.	Level 3	Hong Kong residential units adjusting factors for nature, location and conditions of the property ranging from 85.7% to 116.4% (2017: 88.2% to 110.2%)	A significant increase in the adjusting factors for nature, location and conditions of the property used would result in a significant increase in fair value, and vice versa.
Colliers International Valuation UK LLP@ (2017: Savills (UK) Limited##)	Office portion in the United Kingdom	**4,243,092**	4,495,234	The valuers have used the income capitalisation approach in which the valuers have reflected the current lease terms and capitalised the appropriate income stream, having regard to market comparable evidence.	Level 3	UK office capitalisation rates ranging from 3.85% to 7.10% (2017: 3.78% to 6.75%) per annum	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
CBRE Valuations Pty Limited^	Resort portion in Australia	**157,738**	174,615	The primary valuation methodologies generally used are the Income Capitalisation Approach and/or Discounted Cash Flow Analysis with a check by the Direct Comparison Approach.	Level 3	Under Income Capitalisation Approach, Australia resort capitalisation rates of 9.1% (2017: 9.2%) per annum	A slight increase in the capitalisation rate and discounted rate used would result in a significant decrease in fair value, and vice versa.
				These approaches are based upon estimation of future trading results which are based on historic trading analysis and future trading expectations having regard to any forecast capital expenditure, supply and demand factors, and estimated changes in economic and local market conditions, and/or management/lease terms.		Under Discounted Cash Flow Analysis, the discount rates ranging from 10.5% to 10.6% (2017: 10.5% to 10.8%)	

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

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

@ Colliers International Valuation UK LLP is an independent professional valuer not connected to the Group and is regulated by the Royal Institution of Chartered Surveyors ("RICS").

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

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

In estimating the fair value of investment properties, the Group uses market-observable data to the extent it is available. In respect of the valuation of investment properties carried out by independent qualified professional valuers at the end of each reporting period, and the valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The management works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

21. PROPERTY, PLANT AND EQUIPMENT

	Hotel property in Hong Kong HK$'000	Other properties in Hong Kong HK$'000	Properties in the PRC HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Crockery, utensils and linen HK$'000	Total HK$'000
COST									
At 1 January 2017	789,530	—	34,668	43,247	44,195	12,046	72,497	5,066	1,001,249
Additions	—	24,670	—	—	5,412	725	2,152	—	32,959
Disposals	(26)	—	(136)	(274)	(1,940)	(1,554)	(76)	(177)	(4,183)
Distribution in Specie (note 46)	—	—	(43,369)	(5,866)	(2,163)	(3,533)	(3,067)	—	(57,998)
Transfer from investment properties (note 20)	—	—	8,369	—	—	—	—	—	8,369
Exchange adjustments	—	—	468	73	27	28	29	—	625
At 31 December 2017	789,504	24,670	—	37,180	45,531	7,712	71,535	4,889	981,021
Additions	—	1,893	—	—	2,768	6,108	—	—	10,769
Disposals	(78)	—	—	(3)	(1,703)	(7,019)	(169)	(37)	(9,009)
At 31 December 2018	789,426	26,563	—	37,177	46,596	6,801	71,366	4,852	982,781
DEPRECIATION									
At 1 January 2017	143,286	—	3,981	31,055	40,340	11,076	72,231	—	301,969
Provided for the year	19,997	344	293	4,133	2,412	299	317	—	27,795
Distribution in Specie (note 46)	—	—	(4,265)	(4,679)	(1,857)	(3,151)	(2,074)	—	(16,026)
Eliminated on disposals	(5)	—	(85)	(198)	(1,928)	(1,554)	(76)	—	(3,846)
Exchange adjustments	—	—	76	54	22	26	26	—	204
At 31 December 2017	163,278	344	—	30,365	38,989	6,696	70,424	—	310,096
Provided for the year	19,997	1,178	—	3,718	2,647	1,161	375	—	29,076
Eliminated on disposals	(18)	—	—	(2)	(1,687)	(5,419)	(169)	—	(7,295)
At 31 December 2018	183,257	1,522	—	34,081	39,949	2,438	70,630	—	331,877
CARRYING VALUES									
At 31 December 2018	606,169	25,041	—	3,096	6,647	4,363	736	4,852	650,904
At 31 December 2017	626,226	24,326	—	6,815	6,542	1,016	1,111	4,889	670,925

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

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

All properties as at 31 December 2017 and 31 December 2018 were situated in Hong Kong.

22. INVESTMENT IN A JOINT VENTURE

	2018 **HK$'000**	2017 HK$'000
Investment cost	**1**	1
Loan to a joint venture	**1,050,499**	1,728,799
Less: share of post-acquisition losses	**(40)**	—
	1,050,460	1,728,800

The loan to a joint venture is unsecured, interest bearing at floating rate ranging from approximately 1.2% to 2.3% (2017: 0.8%), have no fixed terms of repayment and are not expected to be recovered within one year from the end of the reporting period. In the opinion of the directors of the Group, the loan is considered as part of the Group's net investment in the joint venture.

On 10 November 2017, the Group entered into the Memorandum of Agreement ("MOA") with other third party investors for incorporating Asia Bright Development Limited ("Asia Bright") in connection with a property development project in Lai Chi Kok, Hong Kong.

Pursuant to the MOA, the Group holds 10% of the ownership interest of Asia Bright. However, Asia Bright is accounted for as a joint venture as at 31 December 2018 and 31 December 2017 as major financial and operating decision require the unanimous consent of all joint venture partners in accordance with the MOA.

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

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2018	2017	**2018**	2017	
Asia Bright Development Limited	**Hong Kong**	Hong Kong	**10%**	10%	**10%**	10%	Property development

Summarised financial information of the joint venture

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

The joint venture is accounted for using the equity method in these consolidated financial statements.

22. INVESTMENT IN A JOINT VENTURE — *continued*

Summarised financial information of the joint venture — *continued*

	2018 HK$'000	2017 HK$'000
Current assets	**17,712,276**	17,295,438
Current liabilities	**(15,581)**	—
Non-current liabilities	**(17,697,086)**	(17,295,428)

	2018 HK$'000	2017 HK$'000
Revenue	**—**	—
Loss for the year	**(401)**	—

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

	2018 HK$'000	2017 HK$'000
Net (liabilities) assets of Asia Bright	**(391)**	10
Proportion of the Group's ownership interest in Asia Bright	**10%**	10%
	(39)	1
Capital contribution in form of loan to a joint venture	**1,050,499**	1,728,799
Carrying amount of the Group's investment in Asia Bright	**1,050,460**	1,728,800

As at 31 December 2018, the Group has executed corporate financial guarantees in proportion of its equity interest in the joint venture for the banking facilities granted to the joint venture. The total amount of such facilities attributable to the Group was HK$955,000,000, of which HK$691,620,000 was utilised and HK$263,380,000 was unutilised.

At the end of the reporting period, the Group did not recognise any liabilities in respect of such corporate financial guarantees as the directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000
Unlisted investments at fair value:	
— Debt securities (note 24(i))	503,000
— Unit fund	6,251
	509,251
Listed investments at fair value:	
— Debt securities (note 24(ii))	3,983,554
Total	4,492,805
Analysed for reporting purposes as:	
Current assets	1,327,704
Non-current assets	3,165,101
	4,492,805

24. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 **HK$'000**
Unlisted investments at fair value:	
— Debt securities (note i)	**709,900**
Listed investments at fair value:	
— Debt securities maturing between the period from January 2019 to June 2023 with a fixed interest ranging from 1.6% to 8.3% per annum (note ii)	**3,689,777**
Total	**4,399,677**
Analysed for reporting purposes as:	
Current assets	**1,448,979**
Non-current assets	**2,950,698**
	4,399,677

24. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME — *continued*

Notes:

(i) As at 31 December 2018, the Group held two notes issued by an independent company listed on the Stock Exchange with principal activities of investment in securities, trading, money lending as well as securities brokerage.

The first note was issued in December 2016 by the listed company at an aggregate principal amount of HK$500 million with an original maturity date in December 2018 at a coupon rate of 7% per annum for the first year and 8% per annum for the second year (the "1st Note"). The Group has further extended the 1st Note by 2 years to December 2020 at a coupon rate of 9.5% per annum for the third year and 10% per annum for the fourth year. The 1st Note entitles the issuer to early redeem on the third anniversary of the issue date of the 1st Note, and/or on 16 June 2020, in whole or in part, at 100% of the principal amount outstanding, together with the accrued and unpaid interest at the date fixed for redemption.

In August 2018, the second note was issued by the listed company at an aggregate principal amount of HK$200 million with a maturity date in August 2020 at a coupon rate of 9.5% per annum for the first year and 10% per annum for the second year (the "2nd Note"). The 2nd Note entitles the issuer to early redeem on the first anniversary of the issue date of the 2nd Note, in whole but not in part, at 100% of the principal amount outstanding, together with the accrued and unpaid interest at the date fixed for redemption.

As at 31 December 2018, both of the 1st Note and 2nd Note are measured at fair value (2017: fair value) determined based on the valuation conducted by an independent qualified professional valuer (2017: an independent qualified professional valuer).

(ii) As at 31 December 2018, the Group's investments in listed debt securities with principal amount ranging from US$0.2 million to US$20.0 million will be maturing between January 2019 to June 2023 with fixed interests ranging from 1.6% to 8.3% per annum (2017: January 2018 to July 2020 with fixed interests ranging from 1.6% to 8.7% per annum), which has been pledged as security for the bank borrowings (2017: pledged).

Included in the segment revenue of the financial investment division was the interest income of the listed debt securities of HK$126,099,000 for year ended 31 December 2018 (2017: HK$64,976,000).

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

(iii) Details of impairment assessment and fair value measurement are disclosed at note 37(b) and (c).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	2018 HK$'000
Unlisted investments	
— in the Cayman Islands (note i)	234,912
— Unit fund	7,830
	242,742
Debt instruments	
Convertible loans (note ii)	89,578
	332,320
Analysis:	
Current	81,747
Non-current	250,573
	332,320

Notes:

(i) As at 31 December 2018, the Group held US$30 million (approximately HK$234,912,000) preferred shares (the "Preferred Shares") issued by an unlisted entity incorporated in the Cayman Islands and the Group is entitled to dividend on the same basis as the ordinary shareholders of the entity. Subject to the consent of more than fifty percent of Preferred Shares holders, the Group is entitled to redeem all or part of the Preferred Shares, at any time after the earlier of 31 December 2020 or occurrence of certain events as set out in the Memorandum of Articles of this entity. In addition, the Group is entitled to 107% on the Preferred Shares investment amount upon liquidation of the entity.

The Preferred Shares do not qualify as equity instrument, in addition, it does not represent solely payment for principal and interest of the principal amount outstanding, and it is therefore, measured at fair value through profit or loss. As at 31 December 2018, fair value of HK$234,912,000 has been determined by the valuation assessment performed by the directors of the Company with reference to the valuation performed by CBRE Limited, an independent professional valuer not connected to the Group.

(ii) Included in convertible loans is US$10 million (approximately HK$81,747,000) convertible loan issued by the same unlisted entity as mentioned in note (i) above, at a 5% coupon rate and with a maturity date on February 2019. This convertible loan allows the Group to convert the outstanding loan balance and unpaid interest into the fixed number of the Preferred Shares based on the initial issue price of the Preferred Shares upon the earlier of the maturity date or the occurrence of the conversion deadline triggering event as pursuant to the relevant agreement.

The convertible loans do not represent solely payment for principal and interest of the principal amount outstanding, and it is therefore, measured at fair value through profit or loss. As at 31 December 2018, the fair value of this convertible note amounting to HK$81,747,000 has been determined by the valuation assessment performed by the directors of the Company with reference to the valuation performed by the above mentioned independent professional valuer.

(iii) Details of fair value measurement are disclosed in note 37(c).

26. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Second mortgage loans	—	1,887
Analysed for reporting purposes:		
Non-current assets	—	1,688
Current assets	—	199
	—	1,887

As at 31 December 2017, the loans bore interest at Hong Kong Prime Rate and were repayable by monthly instalments over a period of not more than 20 years as stipulated in the respective agreements. The second mortgage loans were secured by the leasehold properties of the borrowers. The effective interest rate of the loan receivables was 5.0% per annum.

The loan receivables were disposed of at HK$1,887,000 during the year.

27. OTHER ASSETS

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

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

During the year ended 31 December 2018, amortisation of HK$60,000 (2017: HK$60,000) was recognised in profit or loss.

28. NOTE RECEIVABLE

As at 31 December 2017, the amount represented the carrying value of a five-year zero coupon principal protected index-linked note with a principal amount of US$5,000,000 (equivalent to HK$39,067,000) maturing on 9 August 2018. The index is a proprietary index named Forex Yield Differential Accrual Perpetual Index, which is a proprietary non-discretionary algorithm to calculate the risk filer multiple of non-discretionary trading that observes a basket of ten currencies.

Since the contractual cash flows of the note receivable does not represent solely payments for principal and interest on the principal amount outstanding, and the note receivable was reclassified as financial assets at FVTPL as at 1 January 2018 upon adoption of HKFRS 9. The notes have matured and fully settled during the year ended 31 December 2018.

29. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0.1% to 3.6% (2017: 0.1% to 2.4%) per annum. The pledged bank deposits amounting to HK$1,574,819,000 (2017: HK$1,533,852,000) carry fixed interest rates ranged from 1.4% to 2.5% (2017: ranged from 1.0% to 1.2%) per annum represent deposits pledged to banks to secure bank borrowings due within one year, and therefore they are classified as current assets. The pledged bank deposits amounted to HK$26,333,000 (2017: nil) carry fixed interest rates ranged from 2.2% to 2.3% (2017: nil) represent deposits pledged to banks to secured bank borrowings due after one year, and therefore they are classified as non-current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Details of impairment assessment of pledged bank deposits for the year ended 31 December 2018 are set out in note 37(b).

30. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 **HK$'000**	2017 HK$'000
Trade receivables		
— hotel operation (note (i))	**5,455**	5,794
— renting of properties (note (ii))	**—**	839
	5,455	6,633
Accrued income	**2,164**	2,163
Deposits, prepayments and other receivables	**30,002**	77,033
	37,621	85,829

Notes:

(i) Trade receivables from corporate customers and travel agents for the use of hotel facilities.

(ii) Trade receivables mainly represent rental receivable from tenants for the use of the Group's properties.

30. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — *continued*

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$5,455,000 and HK$5,794,000 respectively.

The following is an aged analysis of trade receivables presented based on the invoice date.

	2018 HK$'000	2017 HK$'000
0 to 30 days	**4,633**	6,142
31 to 60 days	**691**	245
61 to 90 days	**131**	138
91 to 365 days	**—**	108
	5,455	6,633

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$822,000 which are past due as at the reporting date. The outstanding balances have been subsequently settled. The Group does not hold any collateral over these balances.

As at 31 December 2017, 93% of the trade receivables that are neither past due nor impaired as there is no history of default. Those customers have no history of default payment and no overdue in the past three years. They represent the customers under 'Low risk' in the internal credit rating.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$491,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as most of them are substantially covered by deposits received. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2017 HK$'000
31 to 60 days	245
61 to 90 days	138
91 to 365 days	108
Total	491

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 37(b).

31. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

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

Details of impairment assessment are set out in note 37(b).

32. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

The following is an aged analysis of trade payable presented based on the invoice date.

	2018 HK$'000	2017 HK$'000
0 to 60 days	**1,710**	2,212
Trade payables	**1,710**	2,212
Rental deposits	**5,095**	6,181
Rental received in advance	**44,332**	59,077
Other payables, other deposits and accrued charges	**85,971**	72,288
Interest payables	**67,865**	49,945
	204,973	189,703

The average credit period on purchase of goods is 60 days.

Rental deposits to be refunded after twelve months from the end of the reporting period based on the respective lease terms amounted to HK$4,087,000 (2017: HK$5,896,000).

33. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured	**8,729,395**	9,393,402
Unsecured	**2,280,000**	1,710,000
	11,009,395	11,103,402
Less: Front-end fee	**(29,985)**	(36,096)
	10,979,410	11,067,306
Less: Amounts due within one year shown under current liabilities	**(6,215,708)**	(6,318,864)
Amounts shown under non-current liabilities	**4,763,702**	4,748,442
The carrying amounts of bank borrowings are repayable based on repayment schedule:		
Within one year	**6,217,936**	6,319,897
Within a period of more than one year, but not exceeding two years	**52,946**	130,432
Within a period of more than two years, but not exceeding five years	**4,738,513**	4,653,073
	11,009,395	11,103,402

As at 31 December 2018, HK$5,795,290,000 (2017: HK$6,270,835,000) bank borrowings with repayment on demand clause are shown under current liabilities.

Except for the bank borrowing of HK$2,655,552,000 (2017: HK$3,014,353,000) denominated in HK$ being the foreign currency of the relevant group entities with functional currency in United States dollars, the remaining bank borrowings are denominated in the functional currencies of the relevant group entities, the principal amount of which are analysed below:

Denominated in	2018 HK$'000	2017 HK$'000
Hong Kong dollars	**4,100,800**	3,577,800
Australian dollars	**71,699**	79,370
Great Britain Pounds	**4,181,344**	4,431,879
	8,353,843	8,089,049

The effective interest rates of these variable rate borrowings range from 1.2% to 4.7% (2017: 1.0% to 3.6%) per annum.

34. GUARANTEED NOTES

On 19 January 2017, the Group issued US$200,000,000 (approximately equivalent to HK$1,555,480,000) 4.5% guaranteed notes with a maturity of three years due on 19 January 2020 guaranteed by the Company (the "Guaranteed Notes 2017"). At maturity date, the Guaranteed Notes 2017 are payable at their principal amount.

The Guaranteed Notes 2017 bear interest at 4.50% per annum, payable semi-annually in arrears on 19 January and 19 July in each year.

On 19 January 2018, the Group further issued US$150,000,000 (approximately equivalent to HK$1,172,940,000) 4.875% guaranteed notes with a maturity of five years due on 19 January 2023 guaranteed by the Company (the "Guaranteed Notes 2018"). At maturity date, the Guaranteed Notes 2018 are payable at their principal amount.

The Guaranteed Notes 2018 bear interest at 4.875% per annum, payable semi-annually in arrears on 19 January and 19 July in each year.

35. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each		Nominal value	
	2018	2017	**2018 HK$'000**	2017 HK$'000
Authorised	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
At beginning of year	**673,759,726**	676,564,726	**67,376**	67,656
Shares issued upon exercise of share options	**5,225,000**	5,527,000	**523**	553
Share repurchased and cancelled	**(16,926,000)**	(8,332,000)	**(1,693)**	(833)
At end of year	**662,058,726**	673,759,726	**66,206**	67,376

During the year, 5,225,000 ordinary shares of HK$0.1 each in the Company were issued at the subscription price of HK$6.302 per share, upon exercise of the share options (2017: 2,452,000 and 3,075,000 ordinary shares of HK$0.1 each in the Company were issued at the subscription prices of HK$3.454 and HK$6.302 per share respectively).

During the year, the Company repurchased 16,926,000 (2017: 8,332,000) of its own ordinary shares at prices ranging from HK$8.00 to HK$13.00 (2017: HK$7.64 to HK$12.30) for an aggregate consideration of HK$211,543,000 (2017: HK$77,983,000) through The Stock Exchange of Hong Kong Limited. The shares were cancelled upon repurchase.

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

36. DEFERRED TAXATION

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

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Fair value of investment properties HK$'000	Effective rental income HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	3,769	354,172	17,586	(4,199)	(29)	371,299
Charge (credit) to profit or loss	4,733	678	2	(1,612)	18	3,819
Acquisition of subsidiaries (note 45(a))	17,890	—	—	(10,633)	—	7,257
Distribution in Specie (note 46)	—	(325,762)	(17,809)	1,898	—	(341,673)
Exchange adjustments	158	7,034	221	(194)	(7)	7,212
At 31 December 2017	26,550	36,122	—	(14,740)	(18)	47,914
(Credit) charge to profit or loss	(782)	—	—	(2,541)	55	(3,268)
Exchange adjustments	(244)	(3,497)	—	203	4	(3,534)
At 31 December 2018	**25,524**	**32,625**	**—**	**(17,078)**	**41**	**41,112**

At the end of the reporting period, the Group has unused tax losses of HK$249,702,000 (2017: HK$187,548,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$98,332,000 (2017: HK$83,607,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$151,370,000 (2017: HK$103,941,000) due to unpredictability of future profit streams. All tax losses may be carried forward indefinitely.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at FVTPL	332,320	—
Debt instruments at FVTOCI	4,399,677	—
Loans and receivables (including cash and cash equivalents)	—	5,887,117
Financial assets at amortised cost	7,501,522	—
Available-for-sale investments	—	4,492,805
Financial liabilities		
Financial liabilities at amortised cost	13,833,352	12,726,650

37. FINANCIAL INSTRUMENTS *— continued*

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets/(liabilities) which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign currency exposure and will consider hedging significant foreign exchange exposure should the need arises.

The carrying amounts of the Group's foreign currency, except United States dollar denominated net monetary assets/(liabilities) at the end of the reporting period in the respective group entities are as follows:

	2018 **HK$'000**	2017 HK$'000
Renminbi	**1,301**	1,382
Australian dollars	**3,945**	2,798
Great Britain Pounds	**15,843**	7,858

37. FINANCIAL INSTRUMENTS — *continued*

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

Market risk — *continued*

(i) Currency risk — continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) appreciation in the functional currencies of the relevant subsidiaries (i.e. Renminbi, Australian dollars and Great Britain Pounds), relative to the foreign currencies of the relevant subsidiaries (i.e. Renminbi, Australian dollars and Great Britain Pounds). A positive number below indicates an decrease in profit for the year where the relevant functional currencies of the subsidiaries strengthen 5% (2017: 5%) against relevant foreign currencies. There would be an equal and opposite impact where functional currencies of the relevant subsidiaries weaken by 5% (2017: 5%) against the relevant foreign currencies.

	Decrease in profit for the year	
	2018 HK$'000	2017 HK$'000
Renminbi	**65**	69
Australian dollars	**197**	140
Great Britain Pounds	**792**	393

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

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 33 for details of these borrowings), guaranteed notes and pledged bank deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, note receivable and bank balances. The directors of the Company consider that the interest rate risk on bank balances are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is presented. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate ("HIBOR"), the British Pound Sterling London Interbank Offered Rate ("GBP LIBOR") and Australian Bank Bill Swap Bid Rate on the bank borrowings, and Hong Kong Prime Rate on the note receivable. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

37. FINANCIAL INSTRUMENTS — *continued*

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

Market risk — *continued*

(ii) Interest rate risk — continued

Total interest income in revenue and in other income from financial assets that are measured at amortised cost or at FVTOCI is as follows:

	2018 HK$'000
Revenue	
Financial assets	
— at amortised cost	141,448
— at FVTOCI	171,755
	313,203
Other income	
Financial assets	
— at amortised cost	225
Total interest income	313,428

Total interest income in revenue and in other income from financial assets that are measured at amortised cost is as follows:

	2017 HK$'000
Revenue	
Loans and receivables (including bank balances and cash)	87,797
Other income	
Loans and receivables (including bank balances and cash)	1,961
Total interest income	89,758

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2018 HK$'000	2017 HK$'000
Financial liabilities at amortised cost	355,406	191,315

37. FINANCIAL INSTRUMENTS — *continued*

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

Market risk — *continued*

(ii) Interest rate risk — continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would have decreased/increased by HK$55,047,000 (2017: HK$55,507,000).

Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liability in relation to the financial guarantee provided to the joint venture as set out in note 22.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before granting credit to any corporate customers and travel agents, the Group uses an internal credit assessment policy to assess the potential customer's credit quality and defines credit limit by corporate customer and travel agents. Limits attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is mitigated. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances based on individual basis.

37. FINANCIAL INSTRUMENTS — *continued*

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

Credit risk and impairment assessment — *continued*

Other receivables/amounts due from non-controlling interests/pledged bank deposits/bank balances/financial guarantee contract

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on other receivables, amount due from non-controlling interests, pledged bank deposits and bank balances individually according to 12m ECL model.

Other receivables mainly represents interest receivables from pledged bank deposits. Those banks and bank balances are financial institutions with high-credit rating rated by the international credit agencies. In this regard, the directors of the Company consider that the Group's credit risk is mitigated.

The balances with non-controlling interests are considered as insignificant and the impact on ECL is considered as insignificant.

For the financial guarantee provided to the banking facility granted to a joint venture (as disclosed in note 22), the joint venture is engaged in early stage of property development. The guarantee is procured by the properties of the Group and a joint venture. Such guarantee will be released upon completion of the relevant project. The directors of the Company consider that the possibility of default of the joint venture is remote.

37. FINANCIAL INSTRUMENTS — *continued*

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

Credit risk and impairment assessment — *continued*

Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI comprise listed and unlisted securities that are either have investment grades, issued by large PRC state-owned enterprises or large listed companies with sound financial capability and no default occurred in the past years and therefore are considered to be low credit risk investments. No expected credit losses was recognised for the year ended 31 December 2018 as the amount was not considered material.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS *— continued*

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

Credit risk and impairment assessment — *continued*

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

For the year ended 31 December 2018

	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount HK$'000
Debt instruments at FVTOCI				
Investments in listed securities	Aa to Baa	N/A	12m ECL	3,689,777
Investments in unlisted securities	N/A	Low risk (note 1)	12m ECL	709,900
Financial assets at amortised costs				
Amounts due from non-controlling interests	N/A	Low risk (note 1)	12m ECL	4
Pledged bank deposits	AA	N/A	12m ECL	1,601,152
Bank balances	AA	N/A	12m ECL	5,870,023
Other receivables	N/A	Low risk (note 1)	12m ECL	24,888
Trade receivables — hotel operations	N/A	Low risk (note 2)	Lifetime ECL (not credit-impaired)	5,455

37. FINANCIAL INSTRUMENTS — *continued*

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

Credit risk and impairment assessment — *continued*

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

   For investment in unlisted securities, the issuer has either investment grades or issued by a large institution, therefore, no significant increase in credit risk is noted.

   All other receivables and amounts due from non-controlling interests are repayable on demand with no fixed term of repayment. The balances are settled within 30 days after debit notes issued, thus, no significant increase in credit risk is noted for the year ended 31 December 2018.

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items individually. The balances are settled within 30 days after the credit period granted, thus, no significant increase in credit risk noted for the year ended 31 December 2018.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. No outstanding balances have been written off as at 31 December 2018.

No events of significant increase credit risk of other receivables, debt instruments at FVTOCI, bank balances, pledged bank deposits and amounts due from non-controlling interests have occurred. 12m ECL have been applied as impairment assessment for those financial assets as at 1 January 2018 and 31 December 2018.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2018, the Group has bank balances and cash of HK$7,471,175,000 (2017: HK$5,769,590,000) and available unutilised bank borrowings facilities of approximately HK$1,707,837,000 (2017: HK$983,788,000).

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity for other financial liabilities are based on the agreed repayment dates.

37. FINANCIAL INSTRUMENTS — *continued*

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

Liquidity risk — *continued*

The table includes both interest and principal cash flows, estimated based on interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Within 3 months HK$'000	3 months to 6 months HK$'000	6 months to 9 months HK$'000	9 months to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2018								
Payables and deposits received	–	127,198	1,008	–	–	4,087	132,293	132,293
Bank borrowings (note 1)	3.07%	6,151,068	50,803	51,151	122,700	5,302,629	11,678,351	10,979,410
Guaranteed notes	4.66%	63,867	–	63,867	–	2,861,766	2,989,500	2,726,740
		6,342,133	51,811	115,018	122,700	8,168,482	14,800,144	13,838,443
Financial guarantee (note 2)		–	–	–	–	691,620	691,620	–

	Weighted average effective interest rate %	Within 3 months HK$'000	3 months to 6 months HK$'000	6 months to 9 months HK$'000	9 months to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2017								
Payables and deposits received	–	106,057	–	–	285	5,896	112,238	112,238
Bank borrowings (note 1)	2.01	6,316,578	40,069	40,475	40,383	5,221,952	11,659,457	11,067,306
Guaranteed notes	4.50	35,160	–	35,160	–	1,636,403	1,706,723	1,553,287
		6,457,795	40,069	75,635	40,668	6,864,251	13,478,418	12,732,831

Note 1: The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "within 3 months" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank borrowings amounted to HK$5,795,290,000 (2017: HK$6,270,835,000). Those bank borrowings are revolving loan in nature, and with repayment period of less than three months. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

37. FINANCIAL INSTRUMENTS — *continued*

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

Liquidity risk — *continued*

Note 2: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified professional valuers to perform the valuation if the investment is material. The management works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value.

37. FINANCIAL INSTRUMENTS *— continued*

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

(i) Fair value of the Group's financial assets that are measured at fair values on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed debt securities classified as debt instruments at FVTOCI (note 24) (2017: available-for-sale investments (note 23))	**3,689,777**	3,983,554	Level 1	Quoted prices in an active market
Unlisted debt securities classified as debt instruments at FVTOCI (note 24) (2017: available-for-sale investments (note 23))	**709,900**	503,000	Level 2	The fair value of the note is determined by the discounted cash flow model. It is estimated by computing the sum of the present values of all expected future cash flows for an appropriate period, each discounted by their prevailing market rates of interest for a similar instrument with a similar credit rating. This discount rate should consider the time value of money, inflation and the risk inherent in ownership of the asset or security interest being valued. The discount rate is derived by combining 1) the Hong Kong Sovereign Zero Coupon Yields; and 2) a credit spread derived from comparable bonds with similar credit rating and maturity, as extracted from Bloomberg.
Unlisted investment — unit funds classified as financial assets at FVTPL (note 25) (2017: available-for-sale investments (note 23))	**7,830**	6,251	Level 2	The fund is non-redeemable. The fair value is measured based on the shared percentages of net asset value, net of fund management fee and expenses in issue as stipulated in the relevant agreement.

37. FINANCIAL INSTRUMENTS — *continued*

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

(i) Fair value of the Group's financial assets that are measured at fair values on a recurring basis — *continued*

Financial assets	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Unlisted investment — the Preferred Shares classified as financial assets at FVTPL (note 25) (2017: nil)	**234,912**	—	Level 3	The fair value of the Preferred Shares is determined by use of the combination of Market Approach and Black-Scholes Option Pricing Model. Market Approach determines the value of the subject asset by reference to the value of similar assets in the listed market and adjusted by the price earnings ratio and the discount for lack of marketability. (note 1) The Black-Scholes Option Pricing Model determines the value of option value based on such parameters as risk free rate, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices, and term to maturity. (note 2)
Unlisted investments — convertible loans classified as financial assets at FVTPL (note 25) (2017: nil)	**89,578**	—	Level 3	The fair value of the convertible loans is determined by use of the combination of Market Approach and Black-Scholes Option Pricing Model. Market Approach determines the value of the subject asset by reference to the value of similar assets in the listed market and adjusted by the price earnings ratio and the discount for lack of marketability. (note 1) The Black-Scholes Option Pricing Model determines the value of option value based on such parameters as risk free rate, prevailing price of the underlying stock, exercise price, volatility of the underlying share prices, and term to maturity. (note 2)

37. FINANCIAL INSTRUMENTS — *continued*

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

(i) Fair value of the Group's financial assets that are measured at fair values on a recurring basis — *continued*

Notes:

1. The most significant unobservable input is discount for lack of marketability of 35%. An increase in discount for lack of marketability will have a decrease in the fair value of the investment.

2. The significant unobservable inputs are the risk free rate of 3.31% and the volatility of the underlying share prices of 40.81%. An increase in either risk free rate or the volatility could result in higher fair value of the investment.

Reconciliation of Level 3 fair value measurements

For the year ended 31 December 2018

	Financial assets at FVTPL HK$'000
Opening balance	—
Purchases	321,387
Interest income	3,447
Exchange adjustments	(344)
Closing balance	324,490

Fair value gains or losses on financial assets FVTPL are included in 'other gains and losses'. No fair value changes (over and above interest income) are recognised in profit or loss for the current and prior year.

There were no transfer in or out of level 1, 2 and 3 during the year.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

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

38. OPERATING LEASE

The Group as lessee

Minimum lease payments paid under operating leases during the year are HK$10,094,000 (2017: HK$11,433,000).

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**5,318**	13,459
In the second to fifth year inclusive	**—**	5,318
Over five years	**—**	—
	5,318	18,777

Operating lease payments represent rental payable by the Group for its rented office premises. Leases are negotiated for the range of 1 to 2 years (2017: 1 to 2 years) with fixed monthly rentals.

In addition to the above, the Group has entered into a non-cancellable leasing commitment for a piece of land in the UK till the year 2152. The lease payment is equal to the higher of £500,000 per annum and 10% of the rental income received from the building on that land. There is no renewal or purchase options and escalation clauses. The minimum lease payment over the remaining lease term will be approximately £67 million (2017: £67 million). A lease payment of HK$8,841,000 was recognised for the year ended 31 December 2018 (2017: HK$7,876,000).

38. OPERATING LEASE — *continued*

The Group as lessor

Property rental income earned during the year was HK$209,228,000 (2017: HK$152,765,000).

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

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

	2018 HK$'000	2017 HK$'000
Within one year	**205,391**	210,107
In the second to fifth year inclusive	**818,699**	874,785
Over five years	**2,455,205**	2,817,500
	3,479,295	3,902,392

In addition to the annual minimum lease payments, the Group is entitled to, in respect of leases, in addition to committed rent, additional rental based on a specified percentage of revenue, if achieved, earned by the tenant. Additional rental of HK$333,000 was recognised for the year ended 31 December 2018 (2017: nil).

The lease terms of the remaining leased properties range from 1 to 21 years (2017: 1 to 22 years).

39. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of the acquisition of investment properties contracted for but not provided in the consolidated financial statements	**104,788**	17,543

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK$'000 (note 33)	Guaranteed notes HK$'000 (note 34)	Amounts due to non-controlling interests HK$'000	Interest payable HK$'000 (note 32)	Dividends payable (included in other payables) HK$'000 (note 32)	Total HK$'000
At 1 January 2018	11,067,306	1,553,287	—	49,945	2,788	12,673,326
Financing cash flows	162,856	1,161,738	—	(327,455)	(34,783)	962,356
Foreign exchange translation	(259,345)	4,978	—	(170)	—	(254,537)
Amortisation of bank borrowings front-end fee	8,593	—	—	—	—	8,593
Amortisation of guaranteed notes issued costs	—	6,737	—	—	—	6,737
Interest expense	—	—	—	345,545	—	345,545
Dividends declared	—	—	—	—	34,790	34,790
At 31 December 2018	**10,979,410**	**2,726,740**	**—**	**67,865**	**2,795**	**13,776,810**

	Bank borrowings HK$'000 (note 33)	Guaranteed notes HK$'000 (note 34)	Amounts due to non-controlling interests HK$'000	Interest payable HK$'000 (note 32)	Dividends payable (included in other payables) HK$'000 (note 32)	Total HK$'000
At 1 January 2017	4,290,654	—	87,754	5,510	2,261	4,386,179
Financing cash flows	6,650,149	1,541,787	—	(212,140)	(2,408,116)	5,571,680
Distribution in Specie (note 46)	(133,868)	—	(88,860)	65,979	—	(156,749)
Foreign exchange translation	254,746	7,147	1,106	—	—	262,999
Amortisation of bank borrowings front-end free	5,625	—	—	—	—	5,625
Amortisation of guaranteed notes issued costs	—	4,353	—	—	—	4,353
Interest expense	—	—	—	190,596	—	190,596
Dividend declared	—	—	—	—	2,408,643	2,408,643
At 31 December 2017	11,067,306	1,553,287	—	49,945	2,788	12,673,326

41. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

(a) Fixed charges on investment properties with an aggregate carrying value of HK$6,019,830,000 (2017: HK$6,197,849,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.

(b) Fixed charges on hotel properties with aggregate carrying values of HK$606,169,000 (2017: HK$626,226,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the hotel properties.

(c) Pledged bank deposits of HK$1,601,152,000 (2017: HK$1,533,852,000).

(d) Debt instruments at fair value through other comprehensive income of HK$3,689,777,000 (2017: listed debt securities classified as available-for-sale investment of HK$3,983,554,000).

42. SHARE-BASED PAYMENTS TRANSACTIONS

Share Option Scheme of the Company

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

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

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

42. SHARE-BASED PAYMENTS TRANSACTIONS *— continued*

Share Option Scheme of the Company *— continued*

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

Details of the share options granted under the 2005 SEA Share Option Scheme and the 2015 SEA Share Option Scheme during the years ended 31 December 2018 and 2017 are as follows:

2005 SEA Share Option Scheme

			Number of share options							
Date of grant	Exercisable period upon vesting	Exercise price per share HK$	At 1 January 2017	Exercised	Lapsed	At 31 December 2017	Granted	Exercised	Lapsed	At 31 December 2018
Granted to Directors										
12.07.2012	01.07.2015 to 30.06.2017	3.454	2,452,000	(2,452,000)	–	–	–	–	–	–

2015 SEA Share Option Scheme

			Number of share options							
Date of grant	Exercisable period upon vesting	Exercise price per share HK$	At 1 January 2017	Exercised	Lapsed	At 31 December 2017	Granted	Exercised	Lapsed	At 31 December 2018
Granted to the employees										
02.07.2015	01.01.2017 to 31.12.2018	6.302	2,650,000	(2,650,000)	–	–	–	–	–	–
02.07.2015	01.07.2017 to 30.06.2019	6.302	2,500,000	(425,000)	(1,850,000)	225,000	–	(225,000)	–	–
02.07.2015	01.01.2018 to 31.12.2019	6.302	2,550,000	–	(500,000)	2,050,000	–	(2,050,000)	–	–
02.07.2015	01.07.2018 to 30.06.2020	6.302	6,650,000	–	(2,400,000)	4,250,000	–	(2,950,000)	(800,000)	500,000
22.01.2018	01.01.2019 to 31.12.2020	12.800	–	–	–	–	325,000	–	–	325,000
22.01.2018	01.07.2019 to 30.06.2021	12.800	–	–	–	–	400,000	–	–	400,000
22.01.2018	01.01.2020 to 31.12.2021	12.800	–	–	–	–	500,000	–	–	500,000
22.01.2018	01.07.2020 to 30.06.2022	12.800	–	–	–	–	525,000	–	(300,000)	225,000
22.01.2018	01.01.2021 to 31.12.2022	12.800	–	–	–	–	1,950,000	–	(350,000)	1,600,000
22.01.2018	01.07.2021 to 30.06.2023	12.800	–	–	–	–	2,075,000	–	(525,000)	1,550,000
			14,350,000	(3,075,000)	(4,750,000)	6,525,000	5,775,000	(5,225,000)	(1,975,000)	5,100,000
(2005 SEA Share Option Scheme and 2015 SEA Share Option Scheme)										
Total			16,802,000	(5,527,000)	(4,750,000)	6,525,000	5,775,000	(5,225,000)	(1,975,000)	5,100,000
Exercisable at year end			2,452,000			225,000				500,000

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42. SHARE-BASED PAYMENTS TRANSACTIONS — *continued*

Share Option Scheme of the Company — *continued*

Under the 2015 Share Option Scheme, no share options had been cancelled during the year ended 31 December 2018.

Total consideration received by the Group for exercising the share options during the year amounted to HK$32,928,000 (2017: HK$27,848,000) and the weighted average share price at the dates of exercise was HK$11.86 (2017: HK$14.37).

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

On 22 January 2018, 5,775,000 share options under the 2015 SEA Option Scheme were granted to the employees of the Company and the closing price of the Company's shares immediately preceding the date of grant was HK$12.64. The estimated fair value of the share options granted to employees of the Company on that date was HK$4,339,000. The directors of the Company determined the fair values of share options with reference to the calculation of the fair value of the share options granted made by an independent professional valuer.

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

	Share Option Granted on		
	12 July 2012	**2 July 2015**	**22 January 2018**
Share price as at grant date:	HK$3.340	HK$6.200	HK$12.80
Exercise price:	HK$3.454	HK$6.302	HK$12.80
Expected volatility:	24.68%-31.22%	21.58%-24.24%	25.31%-34.27%
Expected dividend yield:	3.29%	1.75%	0.62%
Risk-free rate:	0.18%-0.33%	0.385%-1.188%	1.53%-1.82%

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

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

The Group recognised the total expense of HK$1,739,000 for the year ended 31 December 2018 (2017: HK$2,525,000) in relation to share options granted by the Company.

42. SHARE-BASED PAYMENTS TRANSACTIONS — *continued*

Share Award Scheme of the Company

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

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

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

During the year ended 31 December 2018, a total of 2,900,000 ordinary shares of the Company were awarded to the directors of the Company without vesting period. The awarded shares were acquired by the trustee of the Share Award Scheme at prices ranging from HK$12.83 to HK$12.86 for an aggregate consideration of HK$37,385,000 (2017: nil) in the open market after the date of grant and the awarded shares were transferred to the relevant directors of the Company in May 2018 at nil consideration.

42. SHARE-BASED PAYMENTS TRANSACTIONS — *continued*

Share Award Scheme of the Company — *continued*

Details of the shares of the Company awarded during the year ended 31 December 2018 are as follows:

		Number of awarded shares		
Name	**Date of grant**	**Granted during the year**	**Vested during the year**	**As at 31 December 2018**
Directors				
Lu Wing Chi, Jesse	22.01.2018	1,000,000	(1,000,000)	—
Lambert Lu	22.01.2018	1,000,000	(1,000,000)	—
Lam Sing Tai	22.01.2018	500,000	(500,000)	—
Lincoln Lu	22.01.2018	100,000	(100,000)	—
Walujo Santoso, Wally	22.01.2018	100,000	(100,000)	—
Leung Hok Lim	22.01.2018	100,000	(100,000)	—
Chung Pui Lam	22.01.2018	100,000	(100,000)	—
Total		2,900,000	(2,900,000)	—

43. RETIREMENT BENEFIT PLANS

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

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

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

The total expense recognised in profit or loss of HK$5,487,000 (2017: HK$5,112,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. No forfeited contributions have been used to reduce the level of contributions in either year.

44. RELATED PARTY TRANSACTIONS

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

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

45. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) No. 1 Shouson Hill Road East, Hong Kong

On 4 May 2017, the Group entered into sale and purchase agreements with independent third parties to acquire the entire issued share capital of the companies that owned the properties known as Shouson Hill properties for a total consideration of approximately HK$1,527 million. The completion of acquisition took place on 13 June 2017.

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

	HK$'000
Investment properties	1,537,403
Receivables, deposits and prepayments	975
Payables, rental deposits and accrued charges	(3,465)
Tax liabilities	(221)
Deferred taxation	(7,257)
Total consideration settled by cash	1,527,435

(b) 33 Old Broad Street, London, the United Kingdom

On 15 May 2017, the Group entered into sales and purchase agreements with an independent third party to acquire the entire issued share capital of the companies that owned the properties known as 33-41 Old Broad Street and 1 to 6 Union Court London, EC4N 1DY for a total consideration of approximately £258 million. The acquisition was funded by existing cash resources and financed by a term loan facility in the maximum principal amount of £169 million from a bank secured by the property. The completion of the acquisition took place on 17 July 2017.

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

	HK$'000
Investment properties	2,634,253
Payables, rental deposits and accrued changes	(18,510)
Total consideration settled by cash	2,615,743

46. DISTRIBUTION IN SPECIE

As set out in note 17, the Company completed the Distribution in Specie on 15 May 2017. The assets and liabilities of AGP and its subsidiaries upon completion of the Distribution in Specie are as follows:

	HK$'000
Investment properties	1,967,473
Property, plant and equipment	41,972
Available-for-sale investments	11,682
Properties held for sale	194,521
Receivables, deposits and prepayments	530,301
Restricted bank deposits	5,660
Bank balances and cash	1,743,434
Payables, rental deposits and accrued charges	(77,082)
Tax liabilities	(5,484)
Amounts due to non-controlling interest	(88,860)
Bank borrowings	(133,868)
Deferred taxation	(341,673)
	3,848,076
Non-controlling interests	35,676
Net assets attributable to the Company's shareholders and distributed by the Company through Distribution in Specie	3,883,752
Gain arising from Distribution in Specie:	
Realisation of translation reserve upon Distribution in Specie	226,927
Net cash outflow arising on Distribution in Specie	
Bank balances and cash	(1,743,434)

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Interests in subsidiaries	**6,664,437**	11,075,856
Pledged bank deposits	**26,333**	—
	6,690,770	11,075,856
Current assets		
Receivables and deposits	**1,555**	185
Pledged bank deposits	**52,667**	—
Bank balances	**836,867**	164,863
	891,089	165,048
Current liabilities		
Payables and accrued charges	**4,007**	5,849
Amounts due to subsidiaries	**57,579**	575,523
Bank borrowings — due within one year	**1,978,800**	1,710,000
	2,040,386	2,291,372
Net current liabilities	**(1,149,297)**	(2,126,324)
Net assets	**5,541,473**	8,949,532
Capital and reserves		
Share capital	**66,206**	67,376
Reserves	**5,177,567**	8,882,156
Total equity	**5,243,773**	8,949,532
Non-current liability		
Bank borrowings — due after one year	**297,700**	—
Total equity and non-current liability	**5,541,473**	8,949,532

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY — *continued*

Movement in the Company's capital and reserves

	Attributable to the Company's shareholders								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Shares on trust for awardees under share award scheme HK$'000	Share award reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	67,656	141,610	190,081	4,451	—	—	11,042	5,085,811	5,500,651
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	9,475,395	9,475,395
Recognition of equity-settled share-based payments									
— share options	—	—	—	—	—	—	2,525	—	2,525
Lapse of vested share options	—	—	—	—	—	—	(2,991)	—	(2,991)
Shares issued upon exercise of share options	553	31,724	—	—	—	—	(4,429)	—	27,848
Repurchase of ordinary shares	(833)	(77,150)	—	—	—	—	—	—	(77,983)
Dividends paid	—	—	—	—	—	—	—	(2,092,161)	(2,092,161)
Special non-cash dividend by way of Distribution in Specie	—	—	—	—	—	—	—	(3,883,752)	(3,883,752)
At 31 December 2017	67,376	96,184	190,081	4,451	—	—	6,147	8,585,293	8,949,532
Loss and total comprehensive expense for the year	—	—	—	—	—	—	—	(3,495,861)	(3,495,861)
Recognition of equity-settled share-based payments									
— share options	—	—	—	—	—	—	1,739	—	1,739
— share award	—	—	—	—	—	37,120	—	—	37,120
Shares issued upon exercise of share options	523	37,901	—	—	—	—	(5,496)	—	32,928
Purchase of shares under share award scheme	—	—	—	—	(37,385)	—	—	—	(37,385)
Shares transferred to participants under share award scheme	—	—	—	—	37,385	(37,120)	—	—	265
Repurchase of ordinary shares	(1,693)	(209,850)	—	—	—	—	—	—	(211,543)
Dividends paid	—	—	—	—	—	—	—	(33,022)	(33,022)
Transfer between share premium and retained profits	—	94,833	—	—	—	—	—	(94,833)	—
At 31 December 2018	**66,206**	**19,068**	**190,081**	**4,451**	**—**	**—**	**2,390**	**4,961,577**	**5,243,773**

48. PRINCIPAL SUBSIDIARIES

(a) General information of subsidiaries

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company		Principal activities
			2018	2017	
Direct subsidiaries					
New Rose Investments Limited	British Virgin Islands ("B.V.I.")/ Hong Kong	US$1	100	100	Bond issuance
Rosy Delta Investments Limited	B.V.I./ Hong Kong	US$1	100	100	Bond issuance
South-East Asia Investment And Agency Company, Limited	Hong Kong	HK$10,000,000	100	100	Provision of corporate and property management services
Indirect subsidiaries					
Concord Way Limited	Hong Kong	HK$100	100	100	Hotel operation
Giant Well Enterprises Limited	B.V.I./ Hong Kong	US$1	100	100	Investment holding
Grace Art Development Limited	Hong Kong	HK$1	100	100	Treasury services
Honest Smart Properties Limited	Hong Kong	HK$1	100	100	Property investment
King Victory Global Limited	B.V.I./ Hong Kong	US$1	100	100	Financial investment
Leighton Road Hotel Management Services Limited	Hong Kong	HK$1	100	100	Hotel operation
Luck Marker Limited	B.V.I./ Hong Kong	US$1	100	100	Financial investment
Max Grand Properties Limited	Hong Kong	HK$1	100	100	Property investment
Nice Source Investment Limited	Hong Kong	HK$1	100	100	Property investment
One Valley View Limited	Hong Kong	HK$1	100	100	Property investment

48. PRINCIPAL SUBSIDIARIES — *continued*

(a) General information of subsidiaries — *continued*

Name of subsidiary	Place/country of incorporation/ operation	Issued and paid up share capital/ registered capital	Effective % of issued share capital/ registered capital held by the Company 2018	2017	Principal activities
Pearl Hope Limited	B.V.I.	US$1	100	100	Investment holding
Rainbow Mark Investments Limited	B.V.I./ Hong Kong	US$1	100	100	Financial investment
SEA Island Holdings Pty. Limited	Australia	A$320,000 paid up share capital	100	100	Property investment
SEA Profit Holdings Limited	B.V.I./ Hong Kong	US$1	100	100	Property investment
SEA Vanguard Holdings Limited	B.V.I./ Hong Kong	US$1	100	—	Financial investment
Seven Valley View Limited	Hong Kong	HK$1	100	100	Property investment
Silver Rank Development Limited	Hong Kong	HK$2	100	100	Property investment
Sunni City Limited	Hong Kong	HK$2	100	100	Property investment
Ten Valley View Limited	Hong Kong	HK$1	100	100	Property investment
Top Paragon Investments Limited	B.V.I.	US$1	100	100	Property investment
Treasure Indicator Limited	B.V.I./ Hong Kong	US$1	100	100	Financial investment
Twenty Valley View Limited	Hong Kong	HK$1	100	100	Property investment
Twenty-One Valley View Limited	Hong Kong	HK$1	100	100	Property investment
Two Valley View Limited	Hong Kong	HK$1	100	100	Property investment
Tycoon Honour Limited	B.V.I./ Hong Kong	US$1	100	100	Investment holding of The Moorgate Unit Trust Units
Worthy Merit Limited	B.V.I./ Hong Kong	US$1	100	100	Investment holding of The Moorgate Unit Trust Units

48. PRINCIPAL SUBSIDIARIES *— continued*

(a) General information of subsidiaries *— continued*

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

None of the subsidiaries has issued any debt securities except for New Rose Investments Limited and Rosy Delta Investments Limited which have issued guaranteed notes as set out in note 34 at the end of the year.

Subsidiaries with material non-controlling interest

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

GLOSSARY

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

"AGM(s)"	the annual general meeting(s) of the Company;
"Audit Committee"	the audit committee of the Company;
"Board"	the board of Directors;
"CG Code"	the Corporate Governance Code;
"Chairman"	the chairman of the Board;
"Chief Executive"	the chief executive of the Company;
"Company" or "SEA"	S E A Holdings Limited is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 251);
"Deloitte"	Deloitte Touche Tohmatsu, Certified Public Accountants;
"Director(s)"	the director(s) of the Company;
"Distribution in Specie"	the distribution of a special dividend by SEA in the form of distribution in specie of the 861,278,857 shares in Asian Growth Properties Limited held by the Company to the qualifying SEA Shareholders in proportion to their then respective shareholding in the Company, which was completed on 15 May 2017;
"Executive Committee"	the executive committee of the Company;
"Executive Director(s)"	the executive Director(s);
"Group or SEA Group"	the Company and its subsidiaries;
"Government"	the government of Hong Kong;
"HK$"	the lawful currency of Hong Kong for the time being;
"HKAS"	Hong Kong Accounting Standards;
"HKEX"	Hong Kong Exchanges and Clearing Limited;
"HKFRS"	Hong Kong Financial Reporting Standards;

GLOSSARY

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Non-executive Director(s)" or "INED"	the independent non-executive Director(s);
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"NLI"	Nan Luen International Limited, an exempted company incorporated in Bermuda with limited liability;
"Nomination Committee"	the nomination committee of the Company;
"Non-executive Director(s)"	the non-executive Director(s);
"NYH"	NYH Limited, an exempted company incorporated in Bermuda with limited liability;
"Port Lucky"	Port Lucky Limited, a company incorporated in the British Virgin Islands with limited liability;
"PRC" or "Mainland China"	The People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"SEA Fortune"	SEA Fortune Ventures Limited, a company incorporated in the British Virgin Islands with limited liability;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM(s)"	the special general meeting(s) of the Company;
"Shareholders"	the shareholders of the Company;
"Share Award Scheme"	the share award scheme of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"US$"	United States dollars, the lawful currency of the United States of America;
"%"	per cent;
"2015 Share Option Scheme"	the share option scheme adopted by the Company on 29 May 2015.

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爪哇控股有限公司
S E A Holdings Limited

(Incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）