四海國際集團有限公司

Cosmopolitan International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 120)

ANNUAL REPORT 2018

Contents

Corporate Information

DIRECTORS

Executive Directors
Lo Yuk Sui
(Chairman and Chief Executive Officer)
Jimmy Lo Chun To
(Vice Chairman and Managing Director)
Lo Po Man (Vice Chairman)
Kenneth Wong Po Man (Chief Operating Officer)
Kelvin Leung So Po (Chief Financial Officer)
Kenneth Ng Kwai Kai

Non-Executive Director
Francis Bong Shu Ying, OBE, JP

Independent Non-Executive Directors
Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

AUDIT COMMITTEE

David Li Ka Fai (Chairman)
Alice Kan Lai Kuen
Lee Choy Sang
Abraham Shek Lai Him, GBS, JP

REMUNERATION COMMITTEE

Alice Kan Lai Kuen (Chairman)
Lo Yuk Sui
Lee Choy Sang
David Li Ka Fai

NOMINATION COMMITTEE

Lo Yuk Sui (Chairman)
Alice Kan Lai Kuen
Lee Choy Sang
David Li Ka Fai
Abraham Shek Lai Him, GBS, JP

SECRETARY

Eliza Lam Sau Fun

AUDITOR

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
Australia and New Zealand Banking Group Limited
Deutsche Bank A.G.
Bank of Communications Co., Ltd., Hong Kong Branch

SHARE REGISTRAR IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street
Causeway Bay, Hong Kong
Tel: 2894 7888
Fax: 2890 1697
Website: www.cosmoholdings.com

Directors' Profile

Mr. Lo Yuk Sui, *aged 74; Chairman and Chief Executive Officer* — Appointed to the Board as an Executive Director in 2013. Mr. Lo also acts as the Chairman and the Chief Executive Officer of the Company since 2013. He has been the managing director and chairman of the respective predecessor listed companies of Century City International Holdings Limited ("CCIHL") (the ultimate listed holding company of the Company), Paliburg Holdings Limited ("PHL") (the immediate listed holding company of the Company) and Regal Hotels International Holdings Limited ("RHIHL") (a listed subsidiary of CCIHL and PHL and a listed fellow subsidiary of the Company) since 1980s. He is also an executive director, the chairman and the chief executive officer of CCIHL, PHL and RHIHL and a non-executive director and the chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Lo Chun To (Alias: Jimmy), *aged 45; Vice Chairman and Managing Director* — Appointed to the Board as an Executive Director in 2013. Mr. Jimmy Lo also acts as a Vice Chairman and the Managing Director of the Company since 2013. He is also an executive director and a vice chairman of CCIHL, an executive director, the vice chairman and the managing director of PHL, an executive director of RHIHL and a non-executive director of RPML. Mr. Lo graduated from Cornell University, New York, the United States, with a Degree in Architecture. Mr. Lo joined the Century City Group in 1998. He is primarily involved in overseeing the property projects of the Group in the People's Republic of China (the "PRC") and, in addition, undertakes responsibilities in the business development of the Century City Group. Mr. Lo is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 39; Vice Chairman and Executive Director* — Appointed to the Board as an Executive Director in 2013. Miss Lo also acts as a Vice Chairman of the Company since 2013. She is also an executive director and a vice chairman of CCIHL, an executive director of PHL, an executive director, a vice chairman and the managing director of RHIHL, and a non-executive director and the vice chairman of RPML. Miss Lo graduated from Duke University, North Carolina, the United States, with a Bachelor's Degree in Psychology. Miss Lo joined the RHIHL Group in 2000 and is an experienced executive in sales and marketing and corporate management. She oversees the sales and marketing function of the RHIHL Group and also undertakes responsibilities in the business development of the Century City Group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Wong Po Man (Alias: Kenneth), *aged 53; Executive Director and Chief Operating Officer* — Appointed to the Board in 2010 as a Non-Executive Director and re-designated as an Executive Director and the Chief Operating Officer in 2013. Mr. Kenneth Wong is also an executive director of PHL. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor's Degree of Architecture. He also holds a Master of Science Degree in Real Estates from The University of Hong Kong. He is a qualified architect and has over 28 years of experience in architectural design and project management in respect of property development projects. He is also a Technical Director of an engineering company which is registered under the Buildings Ordinance of Hong Kong.

Mr. Leung So Po (Alias: Kelvin), *aged 46; Executive Director and Chief Financial Officer* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director and the Chief Financial Officer in 2013. Mr. Kelvin Leung is also an executive director of CCIHL. He has been with the Century City Group since 1997 and is involved in the corporate finance function as well as in the China business division of the Century City Group. Mr. Leung holds a Bachelor's Degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. He has over 23 years of experience in accounting and corporate finance field.

Mr. Ng Kwai Kai (Alias: Kenneth), *aged 64; Executive Director* — Appointed to the Board in 2008 as a Non-Executive Director and re-designated as an Executive Director in 2013. Mr. Kenneth Ng is also an executive director and the chief operating officer of CCIHL, an executive director of PHL and RHIHL, and a non-executive director of RPML. He is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary.

Mr. Bong Shu Ying, Francis, OBE, JP, *aged 77; Non-Executive Director* — Appointed to the Board in 2006. Mr. Francis Bong was a director of AECOM Technology Corporation, a company incorporated in the United States and listed on the New York Stock Exchange. Mr. Bong holds a Bachelor's Degree of Science in Engineering from The University of Hong Kong and is a former Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom. Mr. Bong is also an independent non-executive director of China Merchants Port Holdings Company Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Kan Lai Kuen, Alice, *aged 64; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2013. Ms. Alice Kan is also an independent non-executive director of RHIHL. Ms. Kan is a shareholder and the managing director of Asia Investment Management Limited providing corporate advisory and investment management services. She is a licensed investment adviser under the Securities and Futures Ordinance of Hong Kong and a responsible officer of Asia Investment Management Limited. She has over 20 years of experience in corporate finance and is well experienced in both the equity and debt markets. She held various senior positions in international and local banks and financial institutions. Ms. Kan is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. She is a fellow member of the Hong Kong Institute of Directors. Ms. Kan is also an independent non-executive director of China Energine International (Holdings) Limited, Mason Group Holdings Limited and Shimao Property Holdings Limited, all of which are companies listed on the Stock Exchange, and an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist board of Singapore Exchange Securities Trading Limited.

Mr. Lee Choy Sang, *aged 82; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. Lee has been involved in the construction industry for over 40 years. He obtained his Bachelor of Architecture Degree in The University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He is a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

Mr. Li Ka Fai, David, *aged 64; Independent Non-Executive Director* — Invited to the Board as an Independent Non-Executive Director in 2006. Mr. David Li is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, UK as well as The Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of China-Hongkong Photo Products Holdings Limited and Goldlion Holdings Limited, an independent non-executive director, a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of China Merchants Port Holdings Company Limited, an independent non-executive director, a member of the audit committee and the remuneration committee of AVIC International Holding (HK) Limited, and an independent non-executive director and the chairman of the audit committee of Shanghai Industrial Urban Development Group Limited and Wai Yuen Tong Medicine Holdings Limited, all of which companies are listed on the main board of the Stock Exchange.

Hon Shek Lai Him, Abraham (Alias: Abraham Razack), GBS, JP, *aged 73; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2013. Mr. Abraham Shek is also an independent non-executive director of PHL and RPML. Mr. Shek holds a Bachelor's Degree of Arts. Mr. Shek is currently a member of the Legislative Council of the Hong Kong Special Administrative Region. He is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption of Hong Kong, a member of the Court of The Hong Kong University of Science and Technology, a member of both of the Court and the Council of The University of Hong Kong, and a non-executive director of the Mandatory Provident Fund Schemes Authority. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, CSI Properties Limited, Everbright Grand China Assets Limited, Lifestyle International Holdings Limited, NWS Holdings Limited and SJM Holdings Limited, and an independent non-executive director of Goldin Financial Holdings Limited, Hop Hing Group Holdings Limited, Lai Fung Holdings Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange).

Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2018.

FINANCIAL RESULTS

For the year ended 31st December, 2018, the Company achieved profit attributable to shareholders of HK$201.9 million, representing an increase of more than 13 times over the HK$13.7 million attained in 2017.

As mentioned in the profit alert announcement published by the Company on 20th March, 2019, the significant increase in the profit achieved for the year was principally attributable to the profit realised on the completed sales of the residential units in the development project in Tianjin, the People's Republic of China.

BUSINESS OVERVIEW

The Group's core business activities will continue to be focused in China and, in particular, the two ongoing development projects in Chengdu, Sichuan Province and in Tianjin.

During the year under review, the Gross Domestic Product (GDP) of China grew by 6.6% over 2017. The growth in the GDP of China has however notably moderated from 6.8% in the first quarter to 6.4% in the fourth quarter of 2018, which to certain extent reflected the adverse impact on the economy caused by the trade disputes between the United States and China, with the mutual imposition of trade tariffs beginning in July 2018. Faced with the challenges emanating from the increased uncertainties and complications in the external economic environment, it is generally expected that the Central Government of China will initiate policies and measures to stimulate domestic demands, with an aim to maintaining economic growth. Recently, the Central Government has set a target for the economy of China to grow by 6-6.5% in 2019. Although this targeted growth rate may be low as compared to the growth trend of China over the past two decades, it is already a high benchmark as compared to those of other major countries.

Following the introduction of a series of stringent restrictive policies to deter speculative activities, the property market in China as a whole started to cool down in the latter part of 2018. It is expected that the policies of the Central Government will continue to be tilted towards the maintenance of stability in the overall property market, particularly in the residential sector. Under this environment, the overall volume of property transactions in 2019 may see some contraction as compared to the levels in 2018 but the market consolidation effects will likely be less significant in the first and second tier cities due to the strong underlying demands.

As regarding the two ongoing development projects of the Group in China, namely, the Regal Cosmopolitan City in Chengdu and the Regal Renaissance in Tianjin, they are both progressing satisfactorily.

Nearly all of the residential units in the nine residential towers in the first and second stages of the Regal Cosmopolitan City development project have been sold and handed over to the purchasers. Most of the profits realised from these unit sales have been reflected in the results of the Group in the preceding year and a minority portion accounted for in the year under review. The construction works for the ten remaining residential towers comprised in the third stage of the development project are progressing steadily and the presale of the residential units in two of the residential towers has recently been launched. In the meanwhile, the business remodeling works of the hotel have been completed and the hotel is now scheduled to be opened in phases from the first half of 2020.

As reported earlier, most of the units in the four residential towers within the Regal Renaissance development project have been sold and handed over to the purchasers during the year. The profits achieved by the Group for the year under review were primarily attributable to the profit contribution from these unit sales. The commercial complex was formally opened in December 2018. While certain parts of the commercial complex have been leased out for rental income, contracts for sale have been secured for some of the shop units. The construction works for the two office towers are expected to be resumed in the second quarter of 2019 and presale programme of the office accommodations is planned to be launched before the end of this year.

Further detailed information on these two development projects as well as the reforestation and land grant project in Urumqi, Xinjiang is contained in the section headed "Management Discussion and Analysis" in this Annual Report.

As mentioned in the 2018 Interim Report of the Company, the Group entered into a Deposit Agreement in August 2018 in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China. Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70 million to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible joint venture investment. Following further negotiations with the vendor, the Group has agreed to increase the deposit under the Deposit Agreement from RMB70 million to RMB170 million and to grant loan facilities to the target investee company in an aggregate loan amount of RMB150 million. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee company and certain associates of the vendor. Further details regarding the further deposit paid and the terms of the loan facilities granted were contained in the circular to shareholders of the Company dated 22nd October, 2018.

The negotiations with the vendor on the detailed terms of the proposed joint venture investment are still ongoing and further announcements will be made as and when the investment proposals are finalised.

OUTLOOK

The presale of the units in the two residential towers comprised within the third stage of the Regal Cosmopolitan City in Chengdu has been progressing satisfactorily, commanding unit prices well above the average selling price fetched in the earlier sale of the residential units in the first and second stages of the development. If all the residential units in the third stage of the development are sold at the current going price level, substantial cash flow and development profits will be generated for the Group.

The Group will continue to work on appropriate investment opportunities that can serve to expand its business and earnings base.

DIRECTORS AND STAFF

Taking this opportunity, I would like to thank my fellow Directors for their continued support and all management and staff members for their dedicated efforts during the past year.

LO YUK SUI
Chairman

Hong Kong
26th March, 2019

CHENGDU • MAINLAND CHINA

Regal Cosmopolitan City, a composite hotel/commercial/office/serviced apartments/residential development in Xindu District, Chengdu, Sichuan (*)

Commercial/office towers of Regal Cosmopolitan City (*) – updated scheme design approved

Commercial accommodation of Regal Cosmopolitan City (*)

* Artist impression

CHENGDU • MAINLAND CHINA

Casa Regalia (Phase 1), Regal Cosmopolitan City – completed in 2017

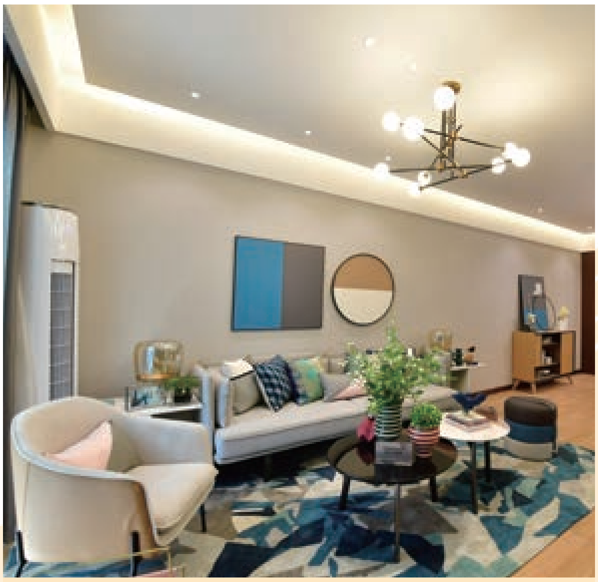
Regal Cosmopolitan City adjacent to Chengdu Medical College Station Entrance of the Chengdu Metro

Casa Regalia (Phase 1) – Garden

* Artist impression

Residential towers of Casa Regalia (Phase 2), Regal Cosmopolitan City (*)

Garden of Casa Regalia (Phase 2) (*)



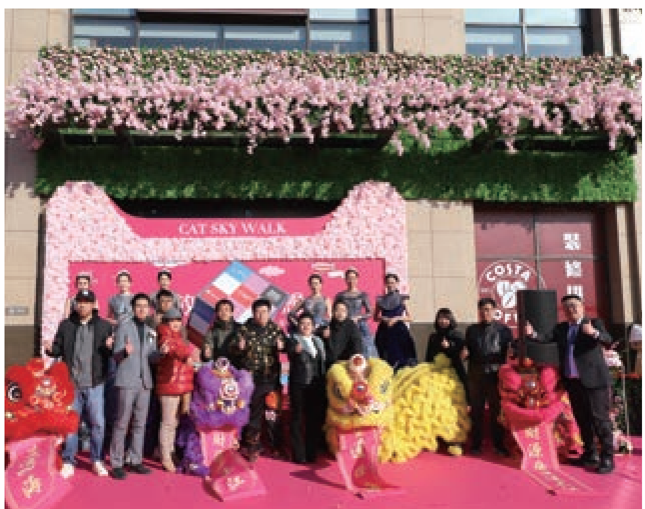
Show flat of a residential apartment of Casa Regalia (Phase 2)

* Artist impression

TIANJIN • MAINLAND CHINA

Regal Renaissance, a composite commercial/office/residential development in a prime location of Hedong District, Tianjin (*)

Residential towers and commercial complex of Regal Renaissance – completed



Cat Sky Walk, a shopping street in Regal Renaissance – Grand opening in December 2018

* Artist impression

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in property development and investment and other investments, which are mainly focused in the People's Republic of China (the "PRC"), and investment in financial assets.

The operating performance of the Group's property and other investment businesses during the year under review and future prospects are contained in the preceding Chairman's Statement and in this section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the section headed "Business Overview" in the preceding Chairman's Statement and in this section.

A brief review on the property projects currently undertaken by the Group in the PRC is set out below.

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

While the nine residential towers in the first and second stages of the Chengdu project have been completed, the construction works of the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress. Presale of two residential towers consisting of 314 units in the third stage of the development has recently been launched.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The mechanical and electrical installation works on site are also in steady progress. The interior fitting-out works are scheduled to commence in mid 2019 and the hotel is scheduled to open in phases from the first half of 2020.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), have been approved by the local authority and the detailed design work has also commenced. The construction works are planned to be started in late 2019 and the associated presale programme will be launched in late 2020.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

The construction works of the four residential towers, the commercial complex and the associated car parking spaces have been completed. Most of the residential units and car parking spaces sold have been handed over to the individual purchasers in the first half of 2018. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income. Grand opening of the commercial complex was launched in December 2018.

As the negotiation with the local government over the configuration design of the office space was in smooth progress, the superstructure works of the two office towers are expected to be resumed in the second quarter of 2019. The presale programme of the office accommodations is planned to be launched in the fourth quarter of 2019.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Group continues to maintain the re-forested area and communicate with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective.

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2018, the Group's net assets attributable to equity holders of the parent amounted to HK$1,413.1 million, representing approximately HK$0.21 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Group.

Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK$0.7 million (2017 – HK$779.5 million). Net interest payment for the year amounted to HK$80.2 million (2017 – HK$96.8 million).

Borrowings and Gearing

As at 31st December, 2018, the Group had cash and bank balances and deposits of HK$336.2 million (2017 – HK$668.0 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK$1,914.4 million (2017 – HK$1,346.2 million).

As at 31st December, 2018, the gearing ratio of the Group was 41.3% (2017 – 23.0%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits of HK$1,914.4 million (2017 – HK$1,346.2 million), as compared to the total assets of the Group of HK$4,638.6 million (2017 – HK$5,855.3 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2018 are shown in notes 23 and 25 to the financial statements.

Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2018 are shown in note 33 to the financial statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2018 are shown in note 34 to the financial statements.

Share Capital and Convertible Bonds

During the year, there were no changes in the share capital of the Company and the convertible bonds of the Group.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR ASSOCIATES

During the year under review, there were no material acquisitions or disposals of subsidiaries or associates of the Company.

STAFF AND REMUNERATION POLICY

The Group employs approximately 110 staff in Hong Kong and the PRC. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance for staff in Hong Kong, and the social security fund and the housing provident fund for staff in the PRC.

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31st December, 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment and other investments, which are mainly focused in the People's Republic of China (the "PRC"), and investment in financial assets.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2018 and the Group's financial position at that date are set out in the financial statements on pages 37 to 121.

BUSINESS REVIEW

Further discussion and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance (Cap. 622) of Hong Kong, including a description of the principal risks and uncertainties facing the Group, material events that have occurred since the year end date and an indication of likely future development in the Group's business are contained in the preceding Chairman's Statement and Management Discussion and Analysis set out on pages 6 to 8 and pages 13 to 15, respectively, of this Annual Report. Those relevant contents form part of this Report of the Directors. Details of the Group's financial risk management are disclosed in note 37 to the financial statements.

In addition, relevant details of the Company's environment policies and performance and key relationships with employees, customers and suppliers will be reported in the Environmental, Social and Governance Report of the Company to be published separately. The Directors were not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group during the year.

DIVIDEND

No interim dividend was paid to the holders of ordinary shares during the year.

The Directors have resolved not to recommend the payment of a final dividend to the holders of ordinary shares for the year ended 31st December, 2018 (2017 – Nil).

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company will be convened to be held on Monday, 3rd June, 2019. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with this Annual Report.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Wednesday, 29th May, 2019 to Monday, 3rd June, 2019, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2019 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 28th May, 2019.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Wong Po Man
Mr. Kelvin Leung So Po
Mr. Kenneth Ng Kwai Kai
Mr. Francis Bong Shu Ying
Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

During the year, there have been no changes in the Directors of the Company.

In accordance with Article 116 of the Articles of Association of the Company, the following Directors will retire from office by rotation at the 2019 Annual General Meeting:

(i) Mr. Jimmy LO Chun To (Executive Director, Vice Chairman and Managing Director);

(ii) Miss LO Po Man (Executive Director and Vice Chairman);

(iii) Mr. Kenneth WONG Po Man (Executive Director and Chief Operating Officer); and

(iv) Ms. Alice KAN Lai Kuen (Independent Non-Executive Director).

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2019 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as otherwise disclosed herein, none of the Directors of the Company nor a connected entity of the Directors had any beneficial interests, whether direct or indirect, in any significant transactions, arrangements or contracts to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year. The Company has taken out and maintained directors' liability insurance that provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

				Number of shares held			
	The Company/ Name of associated corporation	**Name of Director**	**Class of shares held**	**Personal interests**	**Corporate interests**	**Family/Other interests**	**Total (Approximate percentage of the issued shares as at 31st December, 2018)**
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (i) (issued)	–	3,288,556,716 (Note e)	–	3,288,556,716
			(ii) (unissued)	–	5,024,058,784 (Note f)	–	5,024,058,784
						Total:	8,312,615,500 (188.34%)
			Preference (issued)	–	2,345,487,356 (Note f)	–	2,345,487,356 (99.99%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,269,101	–	–	2,269,101 (0.05%)
		Miss Lo Po Man	Ordinary (issued)	1,380,000	–	–	1,380,000 (0.03%)
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	110,867,396	1,769,164,691 (Note a)	380,683	1,880,412,770 (58.69%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.004%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

	The Company/ Name of associated corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2018)
2.	CCIHL	Mr. Kelvin Leung So Po	Ordinary (issued)	4,000	–	–	4,000 (0.000%)
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (issued)	90,078,014	740,860,803 (Note b)	15,000	830,953,817 (74.55%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	50,185	–	–	50,185 (0.005%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
4.	Regal Hotels International Holdings Limited ("RHIHL")	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	622,855,261 (Note c)	260,700	623,140,161 (69.33%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
		Mr. Kelvin Leung So Po	Ordinary (issued)	200	–	–	200 (0.000%)
5.	Regal Real Estate Investment Trust ("Regal REIT")	Mr. Lo Yuk Sui	Units (issued)	–	2,443,033,102 (Note g)	–	2,443,033,102 (74.99%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo").

(b) The interests in 694,124,547 issued ordinary shares of PHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% shareholding interests.

The interests in 16,271,685 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of PHL were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 58.68% shareholding interests. The interests in 599,025,861 issued ordinary shares of RHIHL were held through companies wholly owned by PHL, in which CCIHL held 62.28% shareholding interests. The interests in the other 23,408,000 issued ordinary shares of RHIHL were held through a wholly owned subsidiary of the Company, in which P&R Holdings Limited ("P&R Holdings") (which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries) held 62.81% shareholding interests. PHL held 69.25% shareholding interests in RHIHL.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) The interests in 2,772,116,716 issued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. The interests in the other 516,440,000 issued ordinary shares of the Company were held through wholly owned subsidiaries of RHIHL. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% shareholding interests in CCIHL.

(f) The interests in 5,024,058,784 unissued ordinary shares of the Company were held through wholly owned subsidiaries of P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% shareholding interests in CCIHL.

The interests in 2,345,487,356 unissued ordinary shares of the Company are derivative interests held through interests in 2,345,487,356 convertible preference shares of the Company, convertible into new ordinary shares of the Company on a one to one basis (subject to adjustments in accordance with the terms of the convertible preference shares).

The interests in 1,428,571,428 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by a wholly owned subsidiary of the Company (the "CB Issuer"). The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK$0.35 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

The interests in 1,250,000,000 unissued ordinary shares of the Company are derivative interests held through interests in the convertible bonds in the principal amount of HK$500,000,000 issued by the CB Issuer. The convertible bonds are convertible into new ordinary shares of the Company at a conversion price of HK$0.40 per ordinary share (subject to adjustments in accordance with the terms of the convertible bonds).

(g) The interests in 10,219,000 issued units of Regal REIT were held through a wholly owned subsidiary of the Company. The interests in 2,429,394,739 issued units of Regal REIT were held through wholly owned subsidiaries of RHIHL. The interests in 732,363 issued units of Regal REIT were held through wholly owned subsidiaries of PHL. The interests in 2,687,000 issued units of Regal REIT were held through wholly owned subsidiaries of CCIHL. The Company were held as to 62.81% shareholding interests by P&R Holdings, which is owned as to 50% each by PHL and RHIHL through their respective wholly owned subsidiaries. PHL, in which CCIHL held 62.28% shareholding interests, held 69.25% shareholding interests in RHIHL. Mr. Lo held 58.68% shareholding interests in CCIHL.

Save as disclosed herein, as at 31st December, 2018, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2018, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying (unissued) ordinary shares held	Total number of ordinary shares (issued and underlying (unissued)) held	Approximate percentage of issued ordinary shares as at 31st December, 2018
YSL International Holdings Limited ("YSL Int'l") (Note i)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Grand Modern Investments Limited ("Grand Modern") (Note ii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
CCIHL (Note iii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Century City BVI Holdings Limited ("CCBVI") (Note iv)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
PHL (Note v)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Paliburg Development BVI Holdings Limited (Note vi)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
RHIHL (Note vii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Regal International (BVI) Holdings Limited (Note viii)	3,288,556,716	5,024,058,784	8,312,615,500	188.34%
Capital Merit Investments Limited (Note vi)	2,772,116,716	5,024,058,784	7,796,175,500	176.63%
Regal Hotels Investments Limited (Note viii)	2,772,116,716	5,024,058,784	7,796,175,500	176.63%
P&R Holdings (Note ix)	2,772,116,716	5,024,058,784	7,796,175,500	176.63%
Interzone Investments Limited (Note x)	–	1,428,571,428	1,428,571,428	32.37%
Alpha Advantage Investments Limited (Note x)	–	1,250,000,000	1,250,000,000	28.32%
Valuegood International Limited (Note x)	953,625,000	179,031,239	1,132,656,239	25.66%
Lendas Investments Limited (Note x)	294,107,609	647,915,205	942,022,814	21.34%
Jumbo Pearl Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Sun Joyous Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Time Crest Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Well Mount Investments Limited (Note x)	266,666,666	267,164,481	533,831,147	12.09%
Tenshine Limited (Note viii)	516,440,000	–	516,440,000	11.70%
Winart Investments Limited (Note x)	270,000,000	4,643,905	274,643,905	6.22%

Notes:

(i) The interests in the ordinary shares of the Company held by YSL Int'l were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) Grand Modern is a wholly owned subsidiary of YSL Int'l and its interests in the ordinary shares of the Company were included in the interests held by YSL Int'l.

(iii) CCIHL is owned as to 50.89% by Grand Modern and its interests in the ordinary shares of the Company were included in the interests held by Grand Modern.

(iv) CCBVI is a wholly owned subsidiary of CCIHL and its interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(v) PHL is a listed subsidiary of CCIHL, which held 62.28% shareholding interests in PHL, and PHL's interests in the ordinary shares of the Company were included in the interests held by CCIHL.

(vi) These companies are wholly owned subsidiaries of PHL and their interests in the ordinary shares of the Company were included in the interests held by PHL.

(vii) RHIHL is a listed subsidiary of PHL, which held 69.25% shareholding interests in RHIHL, and RHIHL's interests in the ordinary shares of the Company were included in the interests held by PHL.

(viii) These companies are wholly owned subsidiaries of RHIHL and their interests in the ordinary shares of the Company were included in the interests held by RHIHL.

(ix) P&R Holdings is owned as to 50% each by PHL and RHIHL, through their respective wholly owned subsidiaries, and P&R Holdings' interests in the ordinary shares of the Company were included in the interests held by PHL and RHIHL.

(x) These companies are wholly owned subsidiaries of P&R Holdings and their interests in the ordinary shares of the Company were included in the interests held by P&R Holdings.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2018, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui is a director of YSL Int'l.

(2) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To and Miss Lo Po Man are directors of Grand Modern.

(3) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kelvin Leung So Po and Mr. Kenneth Ng Kwai Kai are directors of CCIHL and CCBVI.

(4) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man, Mr. Kenneth Ng Kwai Kai and Hon Abraham Shek Lai Him are directors of PHL.

(5) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Wong Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of PHL which are substantial shareholders as named above, P&R Holdings and the wholly owned subsidiaries of P&R Holdings which are substantial shareholders as named above.

(6) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Ms. Alice Kan Lai Kuen and Mr. Kenneth Ng Kwai Kai are directors of RHIHL.

(7) Mr. Lo Yuk Sui, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of the wholly owned subsidiaries of RHIHL which are substantial shareholders as named above.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the interim report of the Company for the six months ended 30th June, 2018 is set out below:

Name of Director	**Details of changes**
Executive Directors:	
Mr. Lo Yuk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$90,000 commencing from January 2019. (Notes (i) and (ii))
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$47,600 commencing from January 2019. (Note (i))
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$35,700 commencing from January 2019. (Note (i))
Mr. Kenneth Wong Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$41,400 commencing from January 2019. (Note (i))
Mr. Kelvin Leung So Po	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$37,200 commencing from January 2019. (Note (i))
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$39,300 commencing from January 2019. (Note (i))

Notes:

(i) Each Executive Director is also entitled to a performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$150,000 per annum in acting as a Director of the Company. Details of the remuneration of the Executive Directors for the year ended 31st December, 2018 are disclosed in note 8 to the financial statements.

(ii) Mr. Lo Yuk Sui, who is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, is entitled to normal fee of HK$50,000 per annum in acting as the chairman or a member of each of such board committees.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated, and there is no provision relating to pre-emptive rights stipulated in the Articles of Association of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's turnover during the year under review was substantially derived from property development and investment operation. The percentage of purchase attributable to the Group's five largest suppliers and the percentage of turnover or sales attributable to the Group's five largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The details of movements in the share capital and share premium account of the Company, together with the reasons therefor, during the year are set out in note 27 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

A JOINT VENTURE

Particulars of the Group's investment in a joint venture are set out in note 16 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2018, the Company's reserves available for distribution calculated in accordance with the laws of the Cayman Islands amounted to HK$1,254.4 million.

AUDITOR

Ernst & Young retire, and being eligible, offer themselves for re-appointment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company for the year ended 31st December, 2018 will be published as a separate report from this Annual Report in compliance with relevant requirements under the Listing Rules on or before 31st July, 2019.

On behalf of the Board
LO YUK SUI
Chairman

Hong Kong
26th March, 2019

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2018.

The Company is committed to maintaining good corporate governance practices and procedures. The Company conducts regular review of its policies and practices in respect of the management and corporate matters of the Group. To comply with the new requirements for enhanced operating standards, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group is also carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2018, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*
Miss Lo Po Man *(Vice Chairman)*
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*
Mr. Kelvin Leung So Po *(Chief Financial Officer)*
Mr. Kenneth Ng Kwai Kai

Non-Executive Director:

Mr. Francis Bong Shu Ying

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen
Mr. Lee Choy Sang
Mr. David Li Ka Fai
Hon Abraham Shek Lai Him, GBS, JP

The personal and biographical details of the Directors, including the relationships among them, are disclosed in the preceding section headed "Directors' Profile" contained in this Annual Report.

During the year ended 31st December, 2018, the Company has fully complied with Rules 3.10 and 3.10A of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

All material policies and decisions remain within the authority of the Board as a whole. The Board only delegates authorities to management to an extent that would not significantly hinder or reduce the ability of the Board to discharge its proper functions as a whole. The functions of the Board and those delegated to management of the Company are properly distinguished and clarified. Review of the formalised arrangements will be carried out on a periodic basis to ensure that they remain appropriate to the needs of the Company. The Board is overall responsible for developing, reviewing and/or monitoring the Company's policies and practices on corporate governance and compliance with legal and regulatory requirements.

In year 2018, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**	
	Board Meetings	*General Meetings*
Executive Directors		
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	7/7	1/1
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	7/7	1/1
Miss Lo Po Man *(Vice Chairman)*	7/7	1/1
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	7/7	1/1
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	7/7	1/1
Mr. Kenneth Ng Kwai Kai	7/7	1/1
Non-Executive Director		
Mr. Francis Bong Shu Ying	7/7	1/1
Independent Non-Executive Directors		
Ms. Alice Kan Lai Kuen	7/7	1/1
Mr. Lee Choy Sang	7/7	1/1
Mr. David Li Ka Fai	7/7	1/1
Hon Abraham Shek Lai Him, GBS, JP	7/7	1/1

The Chairman or an Executive Director so delegated is responsible for providing every newly appointed Director with an induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the operations and business of the Group. With respect to compliance matters, the Company Secretary is responsible for providing any new Director with information and materials relating to his/her responsibilities under applicable statutory and regulatory requirements. Subsequent updating about the latest changes and development of such requirements will be sent to the Directors by the Company Secretary. In addition, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. In year 2018, the Company arranged for Directors a seminar covering topics on, among others, minority shareholder claims, market misconduct cases involving management and latest changes relating to anti money laundering laws and regulations. The training received by the Directors during year 2018 is summarised below:

Name of Directors	**Types of training**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	A, B
Mr. Jimmy Lo Chun To *(Vice Chairman and Managing Director)*	A, B
Miss Lo Po Man *(Vice Chairman)*	A, B
Mr. Kenneth Wong Po Man *(Chief Operating Officer)*	A, B
Mr. Kelvin Leung So Po *(Chief Financial Officer)*	A, B
Mr. Kenneth Ng Kwai Kai	A, B
Non-Executive Director	
Mr. Francis Bong Shu Ying	A, B
Independent Non-Executive Directors	
Ms. Alice Kan Lai Kuen	A, B
Mr. Lee Choy Sang	A, B
Mr. David Li Ka Fai	A, B
Hon Abraham Shek Lai Him, GBS, JP	A, B

A - Attending briefings/seminars/conferences/forums
B - Reading/studying training or other materials

(III) BOARD COMMITTEES

There are three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, established by the Board for overseeing different functions delegated by the Board.

(a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. David Li Ka Fai *(Chairman of the Committee)*
Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and annual financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditor, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditor.

In year 2018, the Audit Committee met twice and the meetings were attended by the external Auditor of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	**Attendance**
Mr. David Li Ka Fai *(Chairman of the Committee)*	2/2
Ms. Alice Kan Lai Kuen	2/2
Mr. Lee Choy Sang	2/2
Hon Abraham Shek Lai Him, GBS, JP	2/2

(b) Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Member)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*

Mr. Kenneth Ng Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2018, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Ms. Alice Kan Lai Kuen *(Chairman of the Committee)*	1/1
Mr. Lo Yuk Sui	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The remuneration of the senior management (comprising Executive Directors) of the Company for the year ended 31st December, 2018 by band is set out below:

Remuneration band	**Number of individuals**
HK$500,001 – 1,000,000	4
HK$1,000,001 – 1,500,000	1
HK$1,500,001 – 2,000,000	1

Further details of the Executive Directors' remuneration for the year ended 31st December, 2018 are disclosed in note 8 to the financial statements contained in this Annual Report.

(c) Nomination Committee

The Nomination Committee was established with specific written terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises the following members:

Executive Director:

Mr. Lo Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Ms. Alice Kan Lai Kuen *(Member)*
Mr. Lee Choy Sang *(Member)*
Mr. David Li Ka Fai *(Member)*
Hon Abraham Shek Lai Him, GBS, JP *(Member)*

The Company views diversity at the Board level essential for attaining the Group's strategic and business objectives as well as ensuring its sustainable development. A Board Diversity Policy has been adopted to set out the policy for designing the composition of the Board, aiming to achieve diversity with balanced skills and expertise. The diversity of the Board members is assessed basing on a range of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional acumen, industry experience and other individual qualities. The Nomination Committee will discuss and review annually the structure, size and composition of the Board and agree on measurable objectives for achieving diversity on the Board and make relevant recommendation to the Board for adoption.

In year 2018, the Nomination Committee met once to review and assess the overall diversity of the composition of the Board with reference to the various aspects as set out in the Board Diversity Policy. The Nomination Committee also considered the biographical details and other related particulars of those Executive, Non-Executive and Independent Non-Executive Directors of the Company, who retired and offered themselves for re-election at the annual general meeting of the Company held in June 2018 in accordance with the Articles of Association of the Company (the "then Retiring Directors"), with reference to the Board Diversity Policy and their contributions to the Board and the Group during their tenure. The particulars of the then Retiring Directors were disclosed in the Company's annual report for the year 2017 and its circular to the shareholders accompanying the 2017 annual report. The then Retiring Directors had extensive experience and knowledge in their respective professional and commercial fields, who could contribute valuable advice on the business and development of the Group and can also conform with the diversity policy of the Board. The then Retiring Directors were re-elected as Directors by the Company's shareholders at its 2018 annual general meeting. The attendance rates of individual Nomination Committee members of the Company were as follows:

Name of Nomination Committee members	**Attendance**
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Ms. Alice Kan Lai Kuen	1/1
Mr. Lee Choy Sang	1/1
Mr. David Li Ka Fai	1/1
Hon Abraham Shek Lai Him, GBS, JP	1/1

(IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner. As a manpower policy of the Group, which is subject to regular review by the Directors and senior management, adequate resources have been allocated to the accounting, financial reporting and internal audit functions, with staff members possessing appropriate qualifications and experience engaged in the discharge of those relevant functions. The relevant staff members attend seminars and workshops organised by the professional accounting bodies on a regular basis. The overall budgets allocated to those functions have been reviewed and considered to be adequate.

The statement by the external Auditor, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditor's Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(V) DIRECTORS' SECURITIES TRANSACTIONS

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

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code during the year ended 31st December, 2018.

(VI) RISK MANAGEMENT AND INTERNAL CONTROL

The Board oversees the risk management and internal control systems of the Group on an ongoing basis. It has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group during the year, including financial, operational and compliance controls and risk management and internal control functions, with a view to safeguarding the shareholders' investment and the Company's assets and business operations. The risk management and internal control systems of the Group are considered effective and adequate. Such systems were designed to manage rather than to eliminate the risk of failure in achieving the Group's business objectives.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving sound and effective risk management and internal control systems. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the risk management and internal control systems, to identify any significant management and operational risks as well as control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the risk management and internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board is responsible for the Company's risk management and internal control systems and for reviewing the effectiveness of such systems. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the risk management and internal control systems, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

The Company has established policy for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with applicable laws and regulations. Senior management executives of the corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior management executives and on "as needed" basis, until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed.

In addition, the Group's internal auditor has selected different aspects of the internal control system for his review on a regular basis and has confirmed to the Audit Committee that no material deficiency is noted.

(VII) AUDITOR'S REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditor of the Company at the 2018 Annual General Meeting until the conclusion of the forthcoming 2019 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditor of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2018 were HK$1.7 million (2017 – HK$1.7 million) and HK$4.1 million (2017 – HK$0.8 million), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	**Fees paid (HK$ million)**
(1) Interim review of the financial statements of the Group for the six months ended 30th June, 2018	0.5
(2) Compliance and other services to the Group	3.6

(VIII) SHAREHOLDERS' RIGHT

Extraordinary general meetings may be convened upon receipt of written request submitted by two members of the Company. Such written requisition must state the purposes of the meeting, and be signed by the requisitionists and deposited at the Head Office of the Company at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong (for the attention of the Company Secretary). If the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

Shareholders may also send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company at the abovementioned address (for the attention of the Company Secretary).

During the year ended 31st December, 2018, the Company has not made any changes to its Articles of Association. A consolidated version of the Memorandum and Articles of Association of the Company is available on the website of the Company.

(IX) DIVIDEND POLICY

The Company has adopted a dividend policy relating to the distribution of profits or surplus of the Company to its shareholders, which can be by way of dividends or in other form of distributions (the "Dividend Policy"). The objective of the Dividend Policy is to allow the Company's shareholders to participate in its profits while balancing the need for the Company to retaining adequate reserves to fund the continuing development and growth of the Group.

Any declaration or proposed payment of dividend or distribution will be subject to the determination by the Board. In deciding or determining whether to declare or propose a dividend or distribution payable to the shareholders and the amount and details of such dividend or distribution, the Board shall consider and take into account the following factors:

(i) the operating results of the Group;

(ii) the retained earnings and/or distributable reserves of the Company and the members of the Group;

(iii) the liquidity position of the Company and the Group;

(iv) the debt to equity ratio, the return on equity and the relevant financial covenants of the Group;

(v) contractual restrictions on the payment of dividends by the Company and the Group;

(vi) taxation considerations;

(vii) the working capital requirements and capital commitments of the Group and its plans for future growth and expansion;

(viii) the expected financial performance of the Group;

(ix) general economic conditions and other external factors that may impact on the business and/or financial performances of the Group; and

(x) any other factors that the Board may consider appropriate and relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Law of the Cayman Islands, the Memorandum and Articles of Association of the Company, and any other applicable laws, rules and regulations. The Board will review the Dividend Policy from time to time and, at its sole and absolute discretion, update or revise the Dividend Policy as and when considered necessary or appropriate.

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2018

	Notes	2018 HK$ million	2017 HK$ million
CONTINUING OPERATIONS			
REVENUE	5	**2,147.3**	830.1
Cost of sales		**(1,597.2)**	(741.3)
Gross profit		**550.1**	88.8
Other income	5	**22.6**	17.7
Fair value gains upon reclassification of properties held for sale to investment properties		**2.7**	–
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		**(29.2)**	52.7
Write-back of impairment loss on property under development		**–**	57.0
Property selling and marketing expenses		**(27.9)**	(24.2)
Administrative expenses		**(80.1)**	(58.2)
OPERATING PROFIT BEFORE DEPRECIATION		**438.2**	133.8
Depreciation		**(9.1)**	(12.3)
OPERATING PROFIT		**429.1**	121.5
Finance costs	7	**(112.6)**	(79.1)
Share of loss of a joint venture		**–**	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**316.5**	42.4
Income tax	10	**(114.6)**	(25.6)
Profit for the year from continuing operations		**201.9**	16.8
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	29	**–**	(5.0)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**201.9**	11.8

Consolidated Statement of Profit or Loss (Cont'd)

For the year ended 31st December, 2018

	Note	2018 HK$ million	2017 HK$ million
Attributable to:			
Equity holders of the parent			
– For profit from continuing operations		**201.9**	16.8
– For loss from a discontinued operation		**–**	(3.1)
– For profit for the year		**201.9**	13.7
Non-controlling interests		**–**	(1.9)
		201.9	11.8
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For profit from continuing operations		**HK 2.99 cents**	HK 0.25 cent
– For loss from a discontinued operation		**N/A**	HK(0.04) cent
– For profit for the year		**HK 2.99 cents**	HK 0.21 cent
Diluted			
– For profit from continuing operations		**HK 2.76 cents**	HK 0.25 cent
– For loss from a discontinued operation		**N/A**	HK(0.04) cent
– For profit for the year		**HK 2.76 cents**	HK 0.21 cent

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2018

	Note	2018 HK$ million	2017 HK$ million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**201.9**	11.8
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(101.4)**	145.1
Reclassification adjustment on disposal of foreign operations	29	**–**	1.6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**100.5**	158.5
Attributable to:			
Equity holders of the parent		**100.5**	159.6
Non-controlling interests		**–**	(1.1)
		100.5	158.5

Consolidated Statement of Financial Position

As at 31st December, 2018

	Notes	2018 HK$ million	2017 HK$ million
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1.8**	11.0
Investment properties	14	**134.5**	–
Properties under development	15	**905.7**	1,312.5
Investment in a joint venture	16	**2.4**	2.4
Deposits and prepayments	17	**280.8**	81.1
Goodwill	18	**235.1**	235.1
Total non-current assets		**1,560.3**	1,642.1
CURRENT ASSETS			
Properties under development	15	**1,705.8**	2,934.9
Properties held for sale		**638.3**	215.0
Loans receivable	19	**170.8**	–
Deposits, prepayments and other assets	17	**49.5**	188.4
Financial assets at fair value through profit or loss	20	**177.7**	206.9
Restricted cash	21	**6.5**	71.5
Time deposits		**4.8**	31.2
Cash and bank balances		**324.9**	565.3
Total current assets		**3,078.3**	4,213.2
CURRENT LIABILITIES			
Creditors and accruals	22	**(323.9)**	(254.6)
Other borrowings	23	**(267.3)**	(60.0)
Contract liabilities	24	**(257.4)**	–
Deposits received		**(0.7)**	(1,889.5)
Tax payable		**(54.7)**	(44.2)
Total current liabilities		**(904.0)**	(2,248.3)
NET CURRENT ASSETS		**2,174.3**	1,964.9
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,734.6**	3,607.0

	Notes	2018 HK$ million	2017 HK$ million
NON-CURRENT LIABILITIES			
Creditors and accruals	22	**(29.0)**	(29.2)
Deposits received		**(1.6)**	–
Other borrowings	23	**(1,062.0)**	(1,062.0)
Convertible bonds	25	**(921.3)**	(892.2)
Deferred tax liabilities	26	**(307.6)**	(311.0)
Total non-current liabilities		**(2,321.5)**	(2,294.4)
Net assets		**1,413.1**	1,312.6
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	27	**13.5**	13.5
Reserves	28	**1,399.6**	1,299.1
		1,413.1	1,312.6
Non-controlling interests		**–**	–
Total equity		**1,413.1**	1,312.6

KELVIN LEUNG SO PO
Director

JIMMY LO CHUN TO
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2018

		Attributable to equity holders of the parent											
	Notes	Issued capital HK$ million	Share premium account HK$ million	Capital redemption reserve HK$ million	Capital reserve HK$ million	Exchange equalisation reserve HK$ million	Contributed surplus# HK$ million	Equity component of convertible bonds HK$ million	Other reserve HK$ million	Accumulated losses HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1st January, 2017		13.2	1,402.6	0.2	(118.4)	(280.7)	26.8	431.1	(1.1)	(366.1)	1,107.6	32.1	1,139.7
Profit/(Loss) for the year		–	–	–	–	–	–	–	–	13.7	13.7	(1.9)	11.8
Other comprehensive income for the year:													
Exchange differences on translating foreign operations		–	–	–	–	144.3	–	–	–	–	144.3	0.8	145.1
Reclassification adjustment on disposal of foreign operations	29	–	–	–	–	1.6	–	–	–	–	1.6	–	1.6
Total comprehensive income/(loss) for the year		–	–	–	–	145.9	–	–	–	13.7	159.6	(1.1)	158.5
Issue of shares	25, 27	0.3	76.8	–	–	–	–	(31.7)	–	–	45.4	–	45.4
Disposal of subsidiaries	29	–	–	–	–	–	–	–	–	–	–	(31.0)	(31.0)
At 31st December, 2017		13.5	1,479.4*	0.2*	(118.4)*	(134.8)*	26.8*	399.4*	(1.1)*	(352.4)*	1,312.6	–	1,312.6

	Attributable to equity holders of the parent									
	Issued capital HK$ million	Share premium account HK$ million	Capital redemption reserve HK$ million	Capital reserve HK$ million	Exchange equalisation reserve HK$ million	Contributed surplus# HK$ million	Equity component of convertible bonds HK$ million	Other reserve HK$ million	Accumulated losses HK$ million	Total equity HK$ million
At 1st January, 2018	13.5	1,479.4	0.2	(118.4)	(134.8)	26.8	399.4	(1.1)	(352.4)	1,312.6
Profit for the year	-	-	-	-	-	-	-	-	201.9	201.9
Other comprehensive loss for the year:										
Exchange differences on translating foreign operations	-	-	-	-	(101.4)	-	-	-	-	(101.4)
At 31st December, 2018	13.5	1,479.4*	0.2*	(118.4)*	(236.2)*	26.8*	399.4*	(1.1)*	(150.5)*	1,413.1

* These reserve accounts comprise the consolidated reserves of HK$1,399.6 million (2017 - HK$1,299.1 million) in the consolidated statement of financial position.

\# The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2018

	Notes	2018 HK$ million	2017 HK$ million
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax:			
From continuing operations		**316.5**	42.4
From a discontinued operation	29	**–**	(6.1)
Adjustments for:			
Share of loss of a joint venture		**–**	–
Interest income		**(21.6)**	(18.0)
Depreciation and amortisation		**9.1**	20.4
Fair value gains upon reclassification of properties held for sale to investment properties	6	**(2.7)**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	6	**29.2**	(52.7)
Loss on disposal of items of property, plant and equipment		**–**	–
Write-back of impairment loss on property under development	6	**–**	(57.0)
Finance costs	7	**112.6**	79.1
Gain on disposal of subsidiaries	29	**–**	(0.2)
		443.1	7.9
Additions to properties under development		**(362.3)**	(429.5)
Decrease in properties held for sale		**1,547.2**	735.7
Decrease in deposits, prepayments and other assets		**39.6**	3.9
Decrease in financial assets at fair value through profit or loss		**–**	23.1
Decrease in restricted cash		**63.9**	314.1
Increase/(Decrease) in creditors and accruals		**8.9**	(12.2)
Decrease in contract liabilities		**(1,730.5)**	–
Increase/(Decrease) in deposits received		**(4.3)**	188.0
Cash generated from operations		**5.6**	831.0
Interest received		**–**	1.0
Tax paid		**(4.9)**	(52.5)
Net cash flows from operating activities		**0.7**	779.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiaries	29	**–**	65.7
Investment deposits paid		**(201.4)**	–
Increase in loans receivable		**(177.7)**	–
Interest received		**6.9**	17.2
Proceeds from disposal of items of property, plant and equipment		**–**	–
Purchases of items of property, plant and equipment		**(0.2)**	(2.5)
Net cash flows from/(used in) investing activities		**(372.4)**	80.4

For the year ended 31st December, 2018

	2018 HK$ million	2017 HK$ million
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of a bank loan	**–**	1.0
Repayment of a bank loan	**–**	(1.0)
Drawdown of other borrowings	**448.6**	184.6
Repayment of other borrowings	**(241.3)**	(912.6)
Interest paid	**(87.1)**	(115.0)
Net cash flows from/(used in) financing activities	**120.2**	(843.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(251.5)**	16.9
Cash and cash equivalents at beginning of year	**596.5**	529.2
Effect of foreign exchange rate changes, net	**(15.3)**	50.4
CASH AND CASH EQUIVALENTS AT END OF YEAR	**329.7**	596.5
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**324.9**	565.3
Non-pledged time deposits with original maturity of less than three months when acquired	**4.8**	31.2
	329.7	596.5

At the end of the reporting period, the cash and cash equivalent balances of the Group amounting to HK$306.2 million (2017 – HK$540.5 million) were held by certain subsidiaries operating in Mainland China where exchange controls apply.

1. CORPORATE AND GROUP INFORMATION

Cosmopolitan International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The head office and principal place of business of the Company is located at 11th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment and other investments, which are mainly focused in the People's Republic of China (the "PRC"), and investment in financial assets. In the prior year, the Group was also involved in the provision of logistics and related services in Shanghai, the PRC, of which the operation was disposed of in the first half of 2017. There have been no significant changes in the activities during the year.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
			2018	2017	
Apex Team Limited	Hong Kong	HK$1	100	100	Financing
Cosmopolitan International Finance Limited*	Hong Kong	HK$1	100	100	Financing and financial assets investment
Cosmopolitan International Management Services Limited*	Hong Kong	HK$1	100	100	Management services
Evercharm Investments Limited	British Virgin Islands	US$1	100	100	Financial assets investment
新疆麗寶生態開發有限公司**	PRC/ Mainland China	US$16,800,000	100	100	Property development
成都富博房地產開發有限公司**	PRC/ Mainland China	HK$175,000,000	100	100	Property development
天津市富都房地產開發有限公司**	PRC/ Mainland China	RMB650,000,000	100	100	Property development

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ registered paid-up capital	Percentage of equity interest attributable to the Company 2018	2017	Principal activities
置富投資開發(成都)有限公司**	PRC/ Mainland China	HK$336,000,960	100	100	Property development
北京富利企業管理有限公司**	PRC/ Mainland China	RMB298,000,000	100	100	Investment holding
富宏(深圳)諮詢管理有限公司**	PRC/ Mainland China	RMB10,000,000	100	100	Development consultancy
成都富薈實業有限公司**	PRC/ Mainland China	RMB198,000,000	100	100	Investment holding

* These are direct subsidiaries of the Company.

** These subsidiaries are registered as wholly foreign owned enterprises under the PRC laws.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the Group's consolidated financial statements.

Impact of HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(i) Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial instruments.

The loans and receivables under HKAS 39 are reclassified as financial assets at amortised cost under HKFRS 9.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group applies the general approach and records twelve-month ECLs that are estimated based on the possible default events on its other receivables within the next twelve months. Upon adoption of HKFRS 9, there are no significant differences between the Group's aggregate opening balance of impairment allowances under HKAS 39 and the ECL allowances under HKFRS 9.

Impact of HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that were not completed as at 1st January, 2018.

The adoption of HKFRS 15 has had no significant impact on the opening balance of accumulated losses as at 1st January, 2018. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1st January, 2018 as a result of the adoption of HKFRS 15:

	Note	Increase/ (Decrease) HK$ million
Assets		
Properties under development	(i)	124.4
Liabilities		
Contract liabilities	(i)	2,007.1
Deposits received	(i)	(1,882.7)
Total liabilities		124.4

Set out below are the amounts by which each financial statement line item was affected as at 31st December, 2018 and for the year ended 31st December, 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no significant impact on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Extract of consolidated statement of profit or loss for the year ended 31st December, 2018:

		Amounts prepared under		
	Note	HKFRS 15 HK$ million	Previous HKFRSs HK$ million	Increase/ (Decrease) HK$ million
CONTINUING OPERATIONS				
Revenue	(i)	2,147.3	2,009.9	137.4
Cost of sales	(i)	(1,597.2)	(1,474.9)	122.3
Gross profit		550.1	535.0	15.1
Finance costs	(i)	(112.6)	(111.4)	1.2
Profit before tax from continuing operations		316.5	302.6	13.9
Profit for the year		201.9	188.0	13.9
Attributable to:				
Equity holders of the parent		201.9	188.0	13.9
Non-controlling interests		–	–	–
		201.9	188.0	13.9
Earnings per share attributable to ordinary equity holders of the parent				
Basic				
– For profit for the year		HK2.99 cents	HK2.78 cents	HK0.21cent
Diluted				
– For profit for the year		HK2.76 cents	HK2.62 cents	HK0.14 cent

Extract of consolidated statement of comprehensive income for the year ended 31st December, 2018:

		Amounts prepared under		
	Note	HKFRS 15 HK$ million	Previous HKFRSs HK$ million	Increase/ (Decrease) HK$ million
Profit for the year		201.9	188.0	13.9
Exchange differences on translation of foreign operations	(i)	(101.4)	(100.9)	0.5
Total comprehensive income for the year		100.5	87.1	13.4

Extract of consolidated statement of financial position as at 31st December, 2018:

	Note	Amounts prepared under HKFRS 15 HK$ million	Previous HKFRSs HK$ million	Increase/ (Decrease) HK$ million
Properties held for sale	(i)	638.3	624.3	14.0
Total assets		4,638.6	4,624.6	14.0
Contract liabilities	(i)	(257.4)	–	257.4
Deposits received	(i)	(0.7)	(257.5)	(256.8)
Total liabilities		(3,225.5)	(3,224.9)	0.6
Net assets		1,413.1	1,399.7	13.4
Accumulated losses	(i)	(150.5)	(164.4)	(13.9)
Exchange equalisation reserve	(i)	(236.2)	(235.7)	0.5
Total equity		1,413.1	1,399.7	13.4

The nature of the adjustments as at 1st January, 2018 and the reason for the significant changes in the statement of financial position as at 31st December, 2018, the statement of profit or loss and the statement of comprehensive income for the year ended 31st December, 2018 is described below:

(i) Significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under deposits received in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. The adoption of HKFRS 15 has had no significant impact on the opening balance of accumulated losses as at 1st January, 2018. Significant financing component on the sales proceeds received in advance directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, is capitalised as part of the cost of those assets. Advance payments from customers that were previously classified under deposits received have been reclassified to contract liabilities as at 1st January, 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1st January, 2019
2 Effective for annual periods beginning on or after 1st January, 2020
3 Effective for annual periods beginning on or after 1st January, 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 16 will be applicable for the Group's financial year ending 31st December, 2019 and is expected to have certain impacts upon adoption. Whilst management has performed an assessment of the estimated impacts of the standards, that assessment is based on the information currently available to the Group. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17.

Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1st January, 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of accumulated losses at 1st January, 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 32(b) to the financial statements, at 31st December, 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$2.7 million. Upon adoption of HKFRS 16, certain amount included herein will need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen and new leases entered into before the date of adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Investment in a joint venture

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

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(c) Fair value measurement

The Group measures its contingent consideration receivable and investments held for trading at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

(d) Impairment of non-financial assets

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

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

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

(e) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, direct costs of construction, applicable borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

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

(f) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(g) Property, plant and equipment and depreciation

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

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

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

Buildings	$33^1/_3$%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	20%
Motor vehicles	20%

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

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

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

(h) Investment properties

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

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

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

For a transfer from properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade debtors that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade debtors that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1st January, 2018)" below.

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

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

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

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

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

(j) Investments and other financial assets (policies under HKAS 39 applicable before 1st January, 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and contingent consideration receivable. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1st January, 2018)" below.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

(k) Impairment of financial assets (policies under HKFRS 9 applicable from 1st January, 2018)

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

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

(l) Impairment of financial assets (policies under HKAS 39 applicable before 1st January, 2018)

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

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

(m) Derecognition of financial assets (policies under HKFRS 9 applicable from 1st January, 2018 and policies under HKAS 39 applicable before 1st January, 2018)

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

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

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

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

(n) Financial liabilities (policies under HKFRS 9 applicable from 1st January, 2018 and policies under HKAS 39 applicable before 1st January, 2018)

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

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

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

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

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

Financial guarantee contracts (policies under HKAS 39 applicable before 1st January, 2018)
A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Convertible bonds
The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(o) Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1st January, 2018 and policies under HKAS 39 applicable before 1st January, 2018)

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

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

(p) Offsetting of financial instruments (policies under HKFRS 9 applicable from 1st January, 2018 and policies under HKAS 39 applicable before 1st January, 2018)

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

(q) Revenue recognition (applicable from 1st January, 2018)

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

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

(a) Sale of properties
For properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of the cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that most revenue from the sale of properties is recognised at the point in time when the purchasers obtain the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

Some contracts for the sale of properties involve a difference in timing between the timing of payments and the transfer of properties. The difference in timing give rise to significant financing component.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms.

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

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

Net gain or loss from sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged. The net gain or loss represents the differences between the sale proceeds and the investment's carrying amount. Any previously recognised fair value changes are presented separately on the statement of profit or loss.

(r) Revenue recognition (applicable before 1st January, 2018)

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

(i) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(ii) logistics and related services income, in the period in which such services are rendered;

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

(iv) dividend income, when the shareholders' right to receive payment has been established; and

(v) net gain or loss from sale of investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged. The net gain or loss represents the differences between the sale proceeds and the investment's carrying amount. Any previously recognised fair value changes are presented separately on the statement of profit or loss.

(s) Contract assets (applicable from 1st January, 2018)

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

(t) Contract liabilities (applicable from 1st January, 2018)

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

(u) Contract costs (applicable from 1st January, 2018)

Other than the costs which are capitalised as properties held for sale and properties under development, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

(v) Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries and joint venture are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange equalisation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

(w) Income tax

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(x) Operating leases

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

(y) Employee benefits

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(z) Related parties

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

(i) the party is a person or a close member of that person's family and that person

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group;

or

(ii) the party is an entity where any of the following conditions applies:

(1) the entity and the Group are members of the same group;

(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(3) the entity and the Group are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i);

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(8) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(aa) Cash and cash equivalents

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

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

(ab) Provisions

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

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

(ac) Borrowing costs

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(a) Judgements

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

Income taxes

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

Operating lease commitments – Group as lessor

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

Classification between investment properties and properties held for sale

Judgement is made by management on determining whether a property is reclassified between an investment property and a property held for sale. For a transfer from properties held for sale to investment property, the transfer shall be made when, and only when, there is a change in use, such as evidenced by inception of an operating lease to another party.

(b) Estimation uncertainty

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

Impairment of properties under development and goodwill
The Group determines whether properties under development and goodwill are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the properties under development and goodwill are allocated. The Group's properties under development and goodwill are allocated to property development cash-generating unit. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of properties under development and goodwill at 31st December, 2018 were HK$2,611.5 million (2017 – HK$4,247.4 million) and HK$235.1 million (2017 – HK$235.1 million), respectively. Further details are given in notes 15 and 18 to the financial statements.

Impairment of non-financial assets (other than goodwill)
The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on financial assets at amortised cost
The Group uses the general approach to calculate ECLs on financial assets at amortised cost which are determined with reference to, inter alia, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, change in which can result in different levels of allowances. The information used by the Group in ECL calculations may also not be representative of debtors' actual default in the future.

Allocation of construction costs on properties under development
Development costs of properties are recorded as properties under development during the construction stage and will be transferred to properties held for sale upon completion. An apportionment of these costs will be recognised in the statement of profit or loss upon the recognition of the sales of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Estimation of net realisable values of properties held for sale
The Group performs regular review of the carrying amounts of properties held for sale with reference to prevailing market data such as most recent sale transactions.

Based on this review, write-down of properties will be made when the estimated net realisable values decline below their carrying amounts. Due to changes in market and economic conditions, management's estimates may be adjusted.

Estimation of fair value of investment properties
In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31st December, 2018 was HK$134.5 million (2017 – Nil). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments from continuing operations as follows:

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties; and

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude loans receivable, investment deposits, restricted cash, time deposits, cash and bank balances, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2018 and 2017:

	Property development and investment		Financial assets investments		Consolidated	
	2018 HK$ million	2017 HK$ million	2018 HK$ million	2017 HK$ million	2018 HK$ million	2017 HK$ million
Segment revenue (Note 5)						
Sales to external customers	2,140.7	825.9	6.6	4.2	2,147.3	830.1
Segment results before depreciation	468.1	84.1	(22.6)	56.8	445.5	140.9
Depreciation	(8.7)	(11.9)	–	–	(8.7)	(11.9)
Segment results	459.4	72.2	(22.6)	56.8	436.8	129.0
Unallocated interest income and unallocated non-operating and corporate gains					21.9	17.7
Unallocated non-operating and corporate expenses					(29.6)	(25.2)
Operating profit					**429.1**	**121.5**
Finance costs	(53.5)	(19.3)	–	–	**(53.5)**	**(19.3)**
Unallocated finance costs					**(59.1)**	**(59.8)**
Profit before tax from continuing operations					**316.5**	**42.4**
Income tax					**(114.6)**	**(25.6)**
Profit for the year from continuing operations					**201.9**	**16.8**
Loss for the year from a discontinued operation					**–**	**(5.0)**
Profit for the year before allocation between equity holders of the parent and non-controlling interests					**201.9**	**11.8**
Attributable to:						
Equity holders of the parent					**201.9**	**13.7**
Non-controlling interests					**–**	**(1.9)**
					201.9	**11.8**

	Property development and investment		Financial assets investments		Consolidated	
	2018 HK$ million	2017 HK$ million	2018 HK$ million	2017 HK$ million	2018 HK$ million	2017 HK$ million
Segment assets	3,742.2	4,973.5	178.0	209.6	3,920.2	5,183.1
Investment in a joint venture	2.4	2.4	–	–	2.4	2.4
Cash and unallocated assets					716.0	669.8
Total assets					4,638.6	5,855.3
Segment liabilities	(1,937.0)	(3,291.3)	–	–	(1,937.0)	(3,291.3)
Unallocated liabilities					(1,288.5)	(1,251.4)
Total liabilities					(3,225.5)	(4,542.7)
Other segment information:						
Capital expenditure	460.4	571.7	–	–		
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	–	–	29.2	(52.7)		
Fair value gains upon reclassification of properties held for sale to investment properties	(2.7)	–	–	–		
Interest income	–	–	–	(0.8)		
Write-back of impairment loss on property under development	–	(57.0)	–	–		

Geographical information

(a) Revenue from external customers

	2018 HK$ million	2017 HK$ million
Hong Kong	**6.6**	6.7
Mainland China	**2,140.7**	823.4
	2,147.3	830.1

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2018 HK$ million	2017 HK$ million
Hong Kong	**0.5**	1.0
Mainland China	**1,559.7**	1,641.0
	1,560.2	1,642.0

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

Information about a major customer

No further information about a major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

5. REVENUE AND OTHER INCOME

Revenue and other income from continuing operations are analysed as follows:

	2018 HK$ million	2017 HK$ million
Revenue		
Revenue from contracts with customers		
Proceeds from sale of properties	**2,140.7**	825.9
Revenue from other sources		
Net loss from sale/settlement of financial assets at fair value through profit or loss*	**–**	(2.5)
Dividend income from listed investments	**6.6**	5.9
Interest income from corporate bonds	**–**	0.8
	2,147.3	830.1

* The net loss from sale/settlement of financial assets at fair value through profit or loss for the year ended 31st December, 2017 included dividend income from fund investments of HK$155.9 million and net loss on disposal of fund investments of HK$158.4 million. Those fund investments were purchased and sold during the prior year and were considered as linked transactions. The Directors of the Company were of the opinion that offsetting of the amounts better reflected the substance of those linked transactions.

Disaggregation of revenue from contracts with customers

All of the Group's revenue from contracts with customers for the year ended 31st December, 2018 represented proceeds from sale of properties to external customers of HK$2,140.7 million in Mainland China included in the "Property development and investment" segment where revenue of HK$1,951.8 million recognised was included in contract liabilities at the beginning of the reporting period. The proceeds from sale of properties were recognised at a point in time.

Performance obligation

The performance obligation of sales of properties is satisfied at a point in time when the purchasers obtain the physical possession or the legal title of the completed property.

The transaction prices allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31st December, 2018 are as follows:

	HK$ million
Within one year	**39.2**
More than one year	**292.7**
	331.9

	2018 HK$ million	2017 HK$ million
Other income		
Bank interest income	**6.9**	17.2
Other interest income	**14.7**	–
Others	**1.0**	0.5
	22.6	17.7

6. PROFIT BEFORE TAX

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

	2018 HK$ million	2017 HK$ million
Cost of properties sold	**1,547.2**	735.7
Depreciation	**9.1**	12.4
Less: Depreciation capitalised in properties under development	**–**	(0.1)
	9.1	12.3
Employee benefit expense (exclusive of Directors' remuneration as disclosed in note 8):		
Salaries, wages and allowances	**32.9**	29.7
Staff retirement scheme contributions	**4.3**	3.5
	37.2	33.2
Less: Staff costs capitalised in respect of property development projects:		
Salaries, wages and allowances	**(7.6)**	(10.0)
Staff retirement scheme contributions	**(1.2)**	(1.5)
	28.4	21.7
Auditor's remuneration	**1.5**	1.8
Minimum lease payments under operating leases in respect of land and buildings	**2.2**	2.8
Fair value losses/(gains) on financial assets at fair value through profit or loss, net		
– held for trading	**29.2**	(54.8)
– contingent consideration receivable	**–**	2.1
	29.2	(52.7)
Fair value gains upon reclassification of properties held for sale to investment properties	**(2.7)**	–
Write-back of impairment loss on property under development	**–**	(57.0)
Foreign exchange differences, net	**1.0**	(2.7)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2018 HK$ million	2017 HK$ million
Interest on convertible bonds	**59.1**	59.7
Interest on other borrowings	**59.4**	76.9
Interest expense arising from revenue contracts	**15.2**	–
	133.7	136.6
Less: Finance costs capitalised	**(21.1)**	(57.5)
	112.6	79.1

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 HK$ million	2017 HK$ million
Fees	**2.6**	2.6
Other emoluments:		
Salaries, allowances and benefits in kind	**3.8**	3.9
Performance related/discretionary bonuses	**0.7**	0.5
Staff retirement scheme contributions	**0.3**	0.3
	7.4	7.3

(a) Non-executive director and independent non-executive directors

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

	2018 HK$ million	2017 HK$ million
Non-executive director:		
Mr. Francis Bong Shu Ying	**0.15**	0.15
Independent non-executive directors:		
Ms. Alice Kan Lai Kuen	**0.35**	0.35
Mr. Lee Choy Sang	**0.35**	0.35
Mr. David Li Ka Fai	**0.40**	0.40
Hon Abraham Shek Lai Him, GBS, JP	**0.30**	0.30
	1.55	1.55

– For the year ended 31st December, 2018, the Directors' fees entitled by the non-executive director and the independent non-executive directors of the Company also included a fee for serving as members of the Audit Committee (HK$0.15 million per annum and HK$0.1 million per annum as its chairman and a member, respectively), the Nomination Committee (HK$0.05 million per annum) and the Remuneration Committee (HK$0.05 million per annum) of the Company, where applicable, amounted to HK$1.5 million (2017 - HK$1.5 million, which also included fees for serving as members of the Board Committees).

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

(b) Executive directors

	Fees HK$ million (Notes)	Salaries, allowances and benefits in kind HK$ million	Performance related/ discretionary bonuses HK$ million	Staff retirement scheme contributions HK$ million	Total remuneration HK$ million
2018					
Mr. Lo Yuk Sui	0.25	1.01	0.21	0.10	1.57
Mr. Jimmy Lo Chun To	0.15	1.06	0.11	0.05	1.37
Miss Lo Po Man	0.15	0.40	0.08	0.04	0.67
Mr. Kenneth Wong Po Man	0.15	0.47	0.10	0.05	0.77
Mr. Kelvin Leung So Po	0.15	0.41	0.10	0.04	0.70
Mr. Kenneth Ng Kwai Kai	0.15	0.44	0.09	0.04	0.72
	1.00	3.79	0.69	0.32	5.80
2017					
Mr. Lo Yuk Sui	0.25	0.96	0.16	0.10	1.47
Mr. Jimmy Lo Chun To	0.15	1.03	0.09	0.05	1.32
Miss Lo Po Man	0.15	0.38	0.06	0.04	0.63
Mr. Kenneth Wong Po Man	0.15	0.44	0.09	0.05	0.73
Mr. Kelvin Leung So Po	0.15	0.39	0.08	0.04	0.66
Mr. Daniel Bong Shu Yin#	0.03	0.29	–	–	0.32
Mr. Kenneth Ng Kwai Kai	0.15	0.42	0.08	0.03	0.68
	1.03	3.91	0.56	0.31	5.81

Notes:

Mr. Daniel Bong Shu Yin passed away on 14th February, 2017.

– For the year ended 31st December, 2018, the fees entitled by Mr. Lo Yuk Sui also included a fee of HK$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company.

– For the year ended 31st December, 2017, the fees entitled by Mr. Lo Yuk Sui and Mr. Daniel Bong Shu Yin also included a fee of HK$0.05 million per annum for serving as a member of each of the Nomination Committee and the Remuneration Committee of the Company.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2017 – Nil).

9. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals during the year included two (2017 – two) Directors, details of whose remuneration are disclosed in note 8 to the financial statements. Details of the remuneration for the year of the remaining three (2017 – three) highest paid individuals, who were neither Directors nor chief executive of the Company, are as follows:

	2018 HK$ million	2017 HK$ million
Salaries, allowances and benefits in kind	**2.7**	2.6
Performance related/discretionary bonuses	**0.4**	0.5
Staff retirement scheme contributions	**0.1**	0.1
	3.2	3.2

The emoluments of the remaining three (2017 – three) individuals fell within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
	3	3

10. INCOME TAX

	2018 HK$ million	2017 HK$ million
Current – Hong Kong		
Overprovision in prior years	**–**	(0.8)
Current – PRC		
Corporate income tax	**50.9**	59.1
Land appreciation tax	**67.1**	4.5
Deferred (note 26)	**(3.4)**	(37.2)
Total tax charge for the year from continuing operations	**114.6**	25.6
Total tax credit for the year from a discontinued operation	**–**	(1.1)
	114.6	24.5

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

No provision for Hong Kong profits tax had been made in the prior year as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that year.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

The PRC land appreciation tax ("LAT") is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax amount at the Group's effective tax rates is as follows:

2018

	Hong Kong HK$ million	%	Mainland China HK$ million	%	Total HK$ million
Profit/(loss) before tax	(166.9)		483.4		316.5
Tax at the statutory tax rate	(27.5)	16.5	120.9	25.0	93.4
Income not subject to tax	(4.1)		–		(4.1)
Expenses not deductible for tax	23.3		–		23.3
Tax losses utilised from previous years	–		(65.1)		(65.1)
Tax losses not recognised during the year	8.3		2.9		11.2
LAT provided	–		67.1		67.1
Tax effect on LAT	–		(16.8)		(16.8)
Others	–		5.6		5.6
Tax charge at the Group's effective rate	–		114.6		114.6

2017

	Hong Kong HK$ million	%	Mainland China HK$ million	%	Total HK$ million
Profit/(Loss) before tax from continuing operations	(51.8)		94.2		42.4
Loss before tax from a discontinued operation	–		(6.1)		(6.1)
	(51.8)		88.1		36.3
Tax at the statutory tax rate	(8.5)	16.5	22.0	25.0	13.5
Adjustments in respect of current tax of previous years	(0.8)		–		(0.8)
Income not subject to tax	(1.0)		(39.4)		(40.4)
Expenses not deductible for tax	15.5		0.7		16.2
Tax losses utilised from previous years	(6.7)		(11.2)		(17.9)
Tax losses not recognised during the year	0.7		48.6		49.3
LAT provided	–		4.5		4.5
Tax effect on LAT	–		(1.2)		(1.2)
Others	–		1.3		1.3
Tax charge/(credit) at the Group's effective rate	(0.8)		25.3		24.5
Tax charge/(credit) from continuing operations at the effective rate	(0.8)		26.4		25.6
Tax credit from a discontinued operation at the effective rate	–		(1.1)		(1.1)
	(0.8)		25.3		24.5

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the year ended 31st December, 2018 (2017 – Nil).

11. DIVIDEND

No dividend was paid or proposed during the year ended 31st December, 2018, nor has any dividend been proposed since the end of the reporting period (2017 – Nil).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$201.9 million (2017 – HK$13.7 million) and on the weighted average of 6,759.4 million (2017 – 6,649.3 million) shares of the Company in issue during the year ended 31st December, 2018 (including ordinary shares and convertible preference shares).

The calculation of the basic earnings per share from continuing operations for the year ended 31st December, 2017 was based on the profit from continuing operations for that year attributable to equity holders of the parent of HK$16.8 million and on the weighted average of 6,649.3 million shares of the Company in issue during that year (including ordinary shares and convertible preference shares).

The calculation of the basic loss per share from a discontinued operation for the year ended 31st December, 2017 was based on the loss from a discontinued operation for that year attributable to equity holders of the parent of HK$3.1 million and on the weighted average of 6,649.3 million shares of the Company in issue during that year (including ordinary shares and convertible preference shares).

(b) Diluted earnings/(loss) per share

The calculation of the diluted earnings per share for the year ended 31st December, 2018 is based on the profit for the year attributable to equity holders of the parent, adjusted to reflect the imputed interest on the convertible bonds of HK$59.1 million. The weighted average number of shares used in the calculation is the aggregate of the number of ordinary and convertible preference shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 2,678.6 million shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment was made to the basic earnings per share, basic earnings per share from continuing operations and basic loss per share from a discontinued operation amounts presented for the year ended 31st December, 2017 in respect of a dilution, as the impact of the convertible bonds outstanding during that year had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$ million	Leasehold improvements HK$ million	Furniture, fixtures and equipment HK$ million	Motor vehicles HK$ million	Total HK$ million
31st December, 2018					
At 31st December, 2017 and at 1st January, 2018:					
Cost	32.0	4.9	4.2	1.8	42.9
Accumulated depreciation	(24.2)	(3.8)	(2.5)	(1.4)	(31.9)
Net carrying amount	7.8	1.1	1.7	0.4	11.0
At 1st January, 2018, net of accumulated depreciation	7.8	1.1	1.7	0.4	11.0
Additions	–	–	0.2	–	0.2
Depreciation provided during the year	(7.7)	(0.6)	(0.6)	(0.2)	(9.1)
Exchange realignment	(0.1)	–	(0.2)	–	(0.3)
At 31st December, 2018, net of accumulated depreciation	–	0.5	1.1	0.2	1.8
At 31st December, 2018:					
Cost	30.4	4.8	4.1	1.7	41.0
Accumulated depreciation	(30.4)	(4.3)	(3.0)	(1.5)	(39.2)
Net carrying amount	–	0.5	1.1	0.2	1.8

	Buildings HK$ million	Leasehold improvements HK$ million	Furniture, fixtures and equipment HK$ million	Motor vehicles HK$ million	Total HK$ million
31st December, 2017					
At 1st January, 2017:					
Cost	29.7	8.4	4.1	1.5	43.7
Accumulated depreciation	(12.3)	(2.9)	(1.9)	(1.0)	(18.1)
Net carrying amount	17.4	5.5	2.2	0.5	25.6
At 1st January, 2017, net of accumulated depreciation	17.4	5.5	2.2	0.5	25.6
Additions	–	0.5	0.6	0.1	1.2
Disposal of subsidiaries (note 29)	–	(3.9)	(0.4)	–	(4.3)
Depreciation provided during the year	(10.5)	(1.1)	(0.8)	(0.3)	(12.7)
Write-off/disposals	–	–	(0.2)	–	(0.2)
Write-back of depreciation upon write-off/disposals	–	–	0.2	–	0.2
Exchange realignment	0.9	0.1	0.1	0.1	1.2
At 31st December, 2017, net of accumulated depreciation	7.8	1.1	1.7	0.4	11.0
At 31st December, 2017:					
Cost	32.0	4.9	4.2	1.8	42.9
Accumulated depreciation	(24.2)	(3.8)	(2.5)	(1.4)	(31.9)
Net carrying amount	7.8	1.1	1.7	0.4	11.0

14. INVESTMENT PROPERTIES

The movements of investment properties during the year are as follows:

	2018 HK$ million	2017 HK$ million
Carrying amount as 1st January	**–**	–
Transfer from properties held for sale	**134.5**	–
Carrying amount at 31st December	**134.5**	–

The Directors of the Company determined the Group's investment properties into different classes of asset based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31st December, 2018 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuer, at RMB118.1 million (HK$134.5 million). Each year, the Group's management selects the external valuers to be appointed for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management also has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuations are performed for interim and annual financial reporting. Certain of the Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 32 to the financial statements.

Further particulars of the Group's investment properties are included on page 130.

Fair value hierarchy

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

	Fair value measurement as at 31st December, 2018 using			
	Quoted prices in active markets (Level 1) HK$ million	Significant observable inputs (Level 2) HK$ million	Significant unobservable inputs (Level 3) HK$ million	Total HK$ million
Commercial properties	–	–	134.5	134.5

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2017 – Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range	
			2018	**2017**
Commercial properties	Income capitalisation method	Capitalisation rate	4.25% to 4.75%	N/A
		Estimated rental value per square metre and per month	RMB73 to RMB116	

Under the income capitalisation method, the fair value is estimated based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have been assessed with reference to recent lettings, within the subject properties and other comparable properties.

A significant increase/(decrease) in the estimated rental value would result in a significant increase/(decrease) in the fair value of the commercial properties and a significant increase/(decrease) in the capitalisation rate would result in a significant decrease/(increase) in the fair value of the commercial properties.

15. PROPERTIES UNDER DEVELOPMENT

Properties under development are analysed as follows:

	2018 HK$ million	2017 HK$ million
Balance at 1st January	**4,247.4**	4,375.7
Effect of adoption of HKFRS 15 (note 2.2)	**124.4**	–
	4,371.8	4,375.7
Additions	**456.0**	562.5
Transfer to properties held for sale	**(2,131.2)**	(945.9)
Write-back of impairment*	**–**	57.0
Exchange realignment	**(85.1)**	198.1
Balance at 31st December	**2,611.5**	4,247.4
Portion included in current assets	**(1,705.8)**	(2,934.9)
Non-current portion	**905.7**	1,312.5

Properties under development included under current assets expected to be completed within normal operating cycle and recovered:

	2018 HK$ million	2017 HK$ million
Within one year	**–**	2,239.5
After one year	**1,705.8**	695.4
	1,705.8	2,934.9

* During the year ended 31st December, 2017, an impairment loss previously recognised of HK$57.0 million in respect of a hotel property under development located in Chengdu, the PRC was reversed due to the increase in the recoverable amount of the hotel property under development. As at 31st December, 2017, the recoverable amount of the hotel property under development was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management which have been prepared to reflect the development plan of the hotel property under development. The discount rate applied in the value in use calculation was 20.8%. The write-back of impairment of HK$57.0 million was recognised in the consolidated statement of profit or loss and included in the "property development and investment" segment.

16. INVESTMENT IN A JOINT VENTURE

	2018 HK$ million	2017 HK$ million
Share of net assets	**2.4**	2.4

Particulars of the Group's joint venture are as follows:

Name	Place of incorporation/ business	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2018	2017	Principal activity
Faith Crown Holdings Limited ("Faith Crown")	British Virgin Islands	Ordinary shares of US$1 each	**50**	50	Investment holding

The joint venture is indirectly held by the Company.

Faith Crown is considered a material joint venture of the Group and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Faith Crown adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2018 HK$ million	2017 HK$ million
Non-current assets	**45.5**	45.5
Current liabilities	**(40.7)**	(40.7)
Net assets	**4.8**	4.8
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture and carrying amount of the investment	**2.4**	2.4

17. DEPOSITS, PREPAYMENTS AND OTHER ASSETS

	Notes	2018 HK$ million	2017 HK$ million
Non-current			
Prepayments	(a)	**87.1**	81.0
Investment deposits	(b)	**193.6**	–
Deposits		**0.1**	0.1
		280.8	81.1
Current			
Contract assets		**0.8**	–
Prepayments		**30.0**	179.8
Deposits		**0.4**	1.9
Other receivables		**18.3**	6.7
		49.5	188.4

Notes:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (which has to be certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

(b) The amount related to the deposits in an aggregate amount of RMB170 million (HK$193.6 million) paid in relation to a possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC, further details of which are disclosed in note 19 to the financial statements.

18. GOODWILL

	2018 HK$ million	2017 HK$ million
Cost and carrying amount at 1st January and 31st December	**235.1**	235.1

No impairment was made on the goodwill as at 31st December, 2018 and 2017.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the property development cash-generating unit for impairment testing. The recoverable amount of the property development cash-generating unit has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been prepared to reflect the development plan of the property development projects, comprising residential, commercial and hotel buildings. The discount rate applied to the cash flow projections is 24.2% (2017 – 20.8%).

Assumptions were used in the value in use calculation of the property development cash-generating unit for the years ended 31st December, 2018 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – Discount rate used is before tax and represents the current market assessment of the risks specific to the property development cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Property price – The basis used to determine the future selling price of the property development projects is with reference to recent market conditions and expected market development.

Construction materials price inflation – The basis used to determine the construction materials price inflation is the forecast price indices during the budget year for Mainland China from where the raw materials are sourced.

The values assigned to the key assumptions on market development of property development industry, discount rate, property price and construction materials price inflation are consistent with external information sources.

19. LOANS RECEIVABLE

	2018 HK$ million	2017 HK$ million
Short term secured loans	**170.8**	–

On 16th August, 2018, the Group entered into a deposit agreement (the "Deposit Agreement") in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70 million (HK$79.7 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Group has agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK$79.7 million) to RMB170 million (HK$193.6 million) and to grant loan facilities to the target investee company in an aggregate loan amount of RMB150 million (HK$170.8 million) which were fully utilised as at 31st December, 2018.

The short term secured loans bear interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee company and certain associates of the vendor.

The short term secured loans were overdue as at 31st December, 2018 and the negotiations with the vendor on the detailed terms of the proposed investment are still ongoing.

Impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31st December, 2018, the probability of default applied ranged from approximately 1% to 7% and no impairment allowance was provided in the event of default after taking into consideration of the value of collaterals. As at 31st December, 2018, the credit exposure of the balances was classified as stage 1.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$ million	2017 HK$ million
Listed equity investments, at fair value	**177.7**	206.9

The above equity investments at 31st December, 2018 and 2017 were classified as held for trading.

21. RESTRICTED CASH

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to retain a certain amount of pre-sale proceeds received at designated bank accounts as guarantee deposits for the construction costs of the relevant properties. As at 31st December, 2018, such guarantee deposits amounted to approximately HK$6.5 million (2017 – HK$71.5 million) which can only be used for the payment of construction costs of the relevant properties and will be released after approval by the relevant authorities.

22. CREDITORS AND ACCRUALS

	Notes	2018 HK$ million	2017 HK$ million
Non-current			
Due to a joint venture	(a)	**22.8**	22.8
Deferred income		**6.2**	6.4
		29.0	29.2
Current			
Creditors		**282.5**	225.7
Accruals		**25.2**	16.3
Due to fellow subsidiaries	(b)	**16.2**	12.6
		323.9	254.6

Notes:

(a) The amount due to a joint venture represents outstanding interest payable on advances from the joint venture which is unsecured, interest-free and not repayable within twelve months from the end of the reporting period.

(b) Included in the balance is an amount due to a fellow subsidiary of HK$14.7 million (31st December, 2017 – HK$12.4 million) representing the accrued interest on the other borrowings which is secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and repayable within one year. The remaining balance is unsecured, interest-free and repayable on demand.

23. OTHER BORROWINGS

	2018 HK$ million	2017 HK$ million
Non-current		
Other borrowings	**1,062.0**	1,062.0
Current		
Other borrowings	**267.3**	60.0

Other borrowings, comprising term loan of HK$1,062 million (2017 – HK$1,062 million) and revolving loan of HK$267.3 million (2017 – HK$60 million) from a fellow subsidiary, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The term loan is repayable on 12th October, 2021 and is classified as a non-current other borrowing. The revolving loan of HK$267.3 million (2017 – HK$60 million) is classified as a short term borrowing.

24. CONTRACT LIABILITIES

Details of contract liabilities as at 31st December, 2018 and 1st January, 2018 are as follows:

	31st December, 2018 HK$ million	1st January, 2018 HK$ million
Contract liabilities arising from:		
Sale of properties	**257.4**	**2,007.1**

Contract liabilities include advances received from buyers in connection with the Group's sales of properties. The net decrease in contract liabilities in 2018 was mainly attributable to the completed sales of properties during the year.

25. CONVERTIBLE BONDS

As at 31st December, 2018, the Group has issued a total of three (2017 – three) tranches of convertible bonds. Further details of the convertible bonds are set out as follows:

Purpose	**To provide additional capital to the Group**		
Convertible bonds:	Extended CB 2017 (note (a))	CB 2021A (note (b))	CB 2021B (note (b))
Issue date:	11th October, 2016*	12th October, 2016	30th December, 2016
Maturity date:	18th August, 2021	18th August, 2021	18th August, 2021
Principal amount:	HK$500,000,000	HK$330,000,000	HK$170,000,000
Coupon interest:	2.5% per annum, payable semi annually	3.5% per annum, payable semi annually	3.5% per annum, payable semi annually
Initial conversion price to ordinary shares of the Company:	HK$0.35 per share (subject to adjustment)	HK$0.40 per share (subject to adjustment)	HK$0.40 per share (subject to adjustment)
Conversion period:	At any time from 11th October, 2016 to 11th August, 2021	At any time from 19th October, 2016 to 11th August, 2021	At any time from 6th January, 2017 to 11th August, 2021
Maximum number of shares of the Company to be converted based on initial conversion price:	1,428,571,000	825,000,000	425,000,000
Status as at 31st December, 2018:	No conversion happened	No conversion happened	No conversion happened
Redemption:	If any of the convertible bonds have not been converted, they will be redeemed on the maturity date at 100% of their outstanding principal amounts.		

* Being the effective date of extension of CB 2017.

(a) Extended CB 2017

On 18th August, 2014, the Company's wholly owned subsidiary, Apex Team Limited, issued convertible bonds with the principal amount of HK$500.0 million ("CB 2017") with a maturity date on 18th August, 2017. Options were also granted by the Group to the holder to subscribe for other convertible bonds in an additional principal amount of up to HK$500.0 million ("Optional CB 2017") with an expiry date of 18th August, 2017.

On 4th August, 2016, the Group entered into a deed of variation with the holder to extend the maturity date of CB 2017 from 18th August, 2017 to 18th August, 2021 with no amendments to other terms ("Extended CB 2017"). The above modification (the "Modification") was approved by independent shareholders of the Company on 11th October, 2016.

Extended CB 2017 originally contained three components: equity component, liability component and embedded derivative financial liabilities in respect of the subscription options for convertible bonds (i.e. Optional CB 2021 (as defined hereinafter)). The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The subscription options embedded in the convertible bonds were recognised as derivative financial instruments and were measured at fair value on initial recognition and remeasured at the end of each subsequent reporting period. Such subscription options were fully exercised in 2016 as detailed below. The effective interest rate of the liability component of Extended CB 2017 is 6.61%.

(b) CB 2021A and CB 2021B

In connection with the Modification, the options to subscribe for Optional CB 2017 were also replaced by new options to subscribe for other convertible bonds with an extended maturity date from 18th August, 2017 to 18th August, 2021 ("Optional CB 2021"). The options to subscribe for Optional CB 2021 with the principal amounts of HK$330.0 million ("CB 2021A") and HK$170.0 million ("CB 2021B") were exercised on 12th October, 2016 and 30th December, 2016, respectively.

Each of CB 2021A and CB 2021B contains two components: equity component and liability component. The fair value of the liability component was estimated at the issuance dates using an equivalent market interest rate for a similar bond without conversion option. The residual amount is assigned as the equity component and is included in reserve. The effective interest rates of the liability components of CB 2021A and CB 2021B are 6.52% and 7.09%, respectively.

The movements of the equity component and liability component of the convertible bonds are as follows:

	Equity component HK$ million	Liability component HK$ million	Total HK$ million
At 1st January, 2017	431.1	896.0	1,327.1
Derecognition of embedded derivative upon disposal of subsidiaries (note 29)	–	11.9	11.9
Conversion during the year	(31.7)	(45.4)	(77.1)
Interest expenses (note 7)	–	59.7	59.7
Interest paid	–	(30.0)	(30.0)
At 31st December, 2017 and at 1st January, 2018	399.4	892.2	1,291.6
Interest expenses (note 7)	–	59.1	59.1
Interest paid	–	(30.0)	(30.0)
At 31st December, 2018	399.4	921.3	1,320.7

26. DEFERRED TAX LIABILITIES

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

	Fair value adjustments arising from investment properties HK$ million	Fair value adjustments arising from acquisition/ disposal of subsidiaries HK$ million	Total HK$ million
Gross deferred tax liabilities at 1st January, 2017	–	374.5	374.5
Deferred tax from continuing operations credited to the statement of profit or loss during the year (note 10)	–	(37.2)	(37.2)
Deferred tax from a discontinued operation credited to the statement of profit or loss during the year	–	(2.0)	(2.0)
Disposal of subsidiaries (note 29)	–	(24.3)	(24.3)
Gross deferred tax liabilities at 31st December, 2017 and at 1st January, 2018	–	311.0	311.0
Deferred tax credited to the statement of profit or loss during the year (note 10)	0.7	(4.1)	(3.4)
Gross deferred tax liabilities at 31st December, 2018	0.7	306.9	307.6

The Group has unrecognised tax losses arising in Hong Kong amounting to HK$177.7 million (2017 – HK$125.4 million) at the end of the reporting period. The tax losses arising in Hong Kong, subject to the agreement by the Hong Kong Inland Revenue Department, are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets in respect of the above tax losses amounting to HK$29.3 million (2017 – HK$20.7 million) have not been recognised on account of the unpredictability of future profit streams.

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

At 31st December, 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$620.0 million at 31st December, 2018 (2017 – HK$169.5 million).

27. SHARE CAPITAL AND SHARE PREMIUM

	Note	2018 HK$ million	2017 HK$ million
Shares			
Authorised:			
120,602,390,478 ordinary shares of HK$0.002 each		**241.2**	241.2
4,397,609,522 convertible preference shares of HK$0.002 each	(a)	**8.8**	8.8
		250.0	250.0
Issued and fully paid:			
4,413,722,732 ordinary shares of HK$0.002 each		**8.8**	8.8
2,345,691,551 convertible preference shares of HK$0.002 each	(a)	**4.7**	4.7
		13.5	13.5

	2018 HK$ million	2017 HK$ million
Share premium		
Ordinary shares	**1,249.4**	1,249.4
Convertible preference shares	**230.0**	230.0
	1,479.4	1,479.4

Note:

(a) Each convertible preference share ("CPS") is non-redeemable by the Company or its holder and is convertible into one ordinary share of the Company, subject to adjustment upon the occurrence of consolidation or subdivision of the ordinary shares, at any time after issuance, provided that holders of a CPS may not exercise the conversion rights to the extent that would result in the Company failing to comply with the minimum public float requirement under the Listing Rules.

Each CPS shall confer on its holder the right to receive any dividend pari passu with holders of ordinary shares on the basis of the number of ordinary shares into which each CPS may be converted and on an as-if converted basis.

The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, except on a resolution for the winding-up of the Company.

A summary of the movements of the Company's share capital and share premium account during the year ended 31st December, 2018 and 2017 is as follows:

		Issued and fully paid		Share premium account
	Notes	Number of shares million	Amount HK$ million	Amount HK$ million
Ordinary shares				
At 1st January, 2017		4,250.4	8.5	1,172.6
Conversion of convertible bonds	(i)	163.0	0.3	76.8
Conversion of convertible preference shares	(ii)	0.3	–	–
At 31st December, 2017, 1st January 2018 and 31st December, 2018		4,413.7	8.8	1,249.4
Non-voting non-redeemable convertible preference shares of HK$0.002 each				
At 1st January, 2017		2,346.0	4.7	230.0
Conversion of convertible preference shares	(ii)	(0.3)	–	–
At 31st December, 2017, 1st January, 2018 and 31st December, 2018		2,345.7	4.7	230.0
Total share capital				
At 31st December, 2017 and 31st December, 2018			13.5	1,479.4

Notes:

(i) During the year ended 31st December, 2017, CB 2020A and CB 2020B were fully converted into 68,000,000 and 95,000,000 new ordinary shares of the Company, respectively, on 13th November, 2017 and 17th July, 2017.

(ii) During the year ended 31st December, 2017, 266,886 CPSs were converted into 266,886 new ordinary shares of the Company.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 42 and 43.

29. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATION

Pursuant to a deed of arrangement entered into between the Group and the co-venturer, the Group completed the disposal of its 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary (the "SH Logistics Group") at a total consideration of HK$71.0 million during the year ended 31st December, 2017. The Group ceased to engage in the provision of logistics and related services in Shanghai, the PRC with effect from 30th June, 2017.

	Notes	HK$ million
Net assets disposed of:		
Property, plant and equipment	13	4.3
Intangible assets		90.8
Cash and bank balances		5.3
Embedded derivative included in convertible bonds	25	11.9
Other net assets		4.1
Deferred tax liabilities	26	(24.3)
Non-controlling interests		(31.0)
		61.1
Exchange equalisation reserve released		1.6
Gain on disposal of subsidiaries		0.2
		62.9
Satisfied by:		
Cash		71.0
Contingent consideration receivable		(8.1)
		62.9

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the SH Logistics Group was as follows:

	HK$ million
Cash consideration	71.0
Cash and bank balances disposed of	(5.3)
Net inflow of cash and cash equivalents included in cash flows from investing activities	65.7

For the year ended 31st December, 2017, the logistics business was classified as a discontinued operation and its results for that year were presented below:

	2017 HK$ million
Revenue	9.1
Cost of sales	(5.7)
Gross profit	3.4
Gain on disposal of subsidiaries	0.2
Administrative expenses	(1.6)
Operating profit before depreciation and amortisation	2.0
Depreciation and amortisation	(8.1)
Loss before tax from the discontinued operation	(6.1)
Income tax	1.1
Loss for the year from the discontinued operation	(5.0)

30. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities:

2018

	Other borrowings HK$ million	Convertible bonds HK$ million	Interest payable to a fellow subsidiary HK$ million
At 1st January	1,122.0	892.2	12.4
Changes from financing cash flows	207.3	(30.0)	(57.1)
Finance costs	–	59.1	59.4
At 31st December	1,329.3	921.3	14.7

2017

	Other borrowings HK$ million	Convertible bonds HK$ million	Interest payable to a fellow subsidiary HK$ million
At 1st January	1,850.0	896.0	20.5
Changes from financing cash flows	(728.0)	(30.0)	(85.0)
Finance costs	–	59.7	76.9
Conversion of convertible bonds	–	(45.4)	–
Derecognition of embedded derivative upon disposal of subsidiaries	–	11.9	–
At 31st December	1,122.0	892.2	12.4

31. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2018 HK$ million	2017 HK$ million
A wholly owned subsidiary of CCIHL:			
Management fees	(i)	**11.4**	9.5
Subsidiaries of Paliburg Holdings Limited ("PHL"):			
Interest income from listed debt investments	(ii)	**–**	0.8
Interest expenses on other borrowings	(iii)	**59.4**	76.9
Interest expenses on convertible bonds	(iv)	**59.1**	57.3

Notes:

(i) The management fees included rentals and other overheads allocated from a wholly owned subsidiary of CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, PHL, Regal and the Company based on the distribution of job responsibilities and the estimated time spent by the relevant staff in serving each of the four groups.

(ii) The interest income was charged at a coupon rate of 4.25% per annum.

(iii) The interest expenses were paid to Long Profits Investments Limited in relation to borrowings under the loan facilities granted to the Group as detailed in note 23 to the financial statements.

(iv) The interest expenses were paid to Interzone Investments Limited and Alpha Advantage Investments Limited in relation to convertible bonds issued by the Group as detailed in note 25 to the financial statements.

(b) Compensation of key management personnel of the Group:

	2018 HK$ million	2017 HK$ million
Short term employee benefits	**5.8**	5.8
Staff retirement scheme contributions	**0.3**	0.3
Total compensation paid to key management personnel	**6.1**	6.1

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transaction set out in note 31(a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company, but is exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval in accordance with the Listing Rules ("Relevant Requirements") pursuant to rule 14A.98 of the Listing Rules.

The related party transaction set out in note 31(a)(ii) above did not constitute a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules to the Company.

The related party transactions set out in note 31(a)(iii) and (iv) above were contemplated under respective relevant transactions (the "Transactions") which constituted connected transactions to the Company subject to the Relevant Requirements. The Relevant Requirements with respect to the Transactions had been complied with.

Relevant disclosures and other requirements, including, inter alia, independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the connected or continuing connected transactions during the prior year set out in note 31(a) had been made or met or otherwise exempted.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased certain of its investment properties and retail space under operating lease arrangements, with leases negotiated for terms ranging from 3 to 8 years. The terms of the leases generally also required the tenants to pay security deposits and, in certain cases, provided for periodic rent adjustments according to the terms under the leases.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$ million	2017 HK$ million
Within one year	**3.5**	–
In the second to fifth years, inclusive	**31.8**	–
After five years	**5.4**	–
	40.7	–

(b) As lessee

The Group leases certain office premises and staff quarters under operating lease arrangements. The leases are negotiated for terms ranging from 1 to 3 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$ million	2017 HK$ million
Within one year	**1.2**	3.1
In the second to fifth years, inclusive	**1.5**	1.9
	2.7	5.0

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following commitments at the end of the reporting period:

	2018 HK$ million	2017 HK$ million
Contracted, but not provided for:		
Property development projects	**728.6**	713.1

34. CONTINGENT LIABILITIES

A subsidiary of the Group was a defendant in certain litigation claims in an aggregate amount of approximately RMB8.2 million (HK$9.9 million) relating to the re-forestation project located in Xinjiang in the PRC as at 31st December, 2017. During the year, the Group successfully defended against most of the allegations and, accordingly, there was only insignificant liability incurred in respect of the claims.

Subsequent to the reporting date, a subsidiary of the Group received claims for compensation from certain purchasers of the residential units of the Group's property development project in Tianjin in relation to the alleged delay in handing over the completed units. The total amount of the claims amounted to approximately RMB2.1 million (HK$2.4 million) and the arbitration proceeding has recently commenced. Based on the legal opinion obtained, management considered there are reasonably good grounds to defend against the allegations and, accordingly, no provision has been made in the financial statements.

In addition, at the end of the reporting period, the Group had provided guarantees to banks in connection with mortgage facilities granted to certain purchasers of the Group's properties amounting to approximately RMB316.3 million (HK$360.1 million) (2017 – RMB356.0 million (HK$427.0 million)). The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates and the completion of the proper procedures to register the mortgages under the names of the relevant purchasers, which will generally complete within one to two years after the purchasers take possession of the relevant properties.

No provision has been made in the consolidated financial statements for the guarantees in connection with the mortgage facilities as management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets

	Financial assets at fair value through profit or loss - Held for trading HK$ million	Financial assets at amortised cost HK$ million	Total HK$ million
Other financial assets included in deposits, prepayments and other assets and loans receivable	–	383.1	383.1
Financial assets at fair value through profit or loss	177.7	–	177.7
Restricted cash	–	6.5	6.5
Time deposits	–	4.8	4.8
Cash and bank balances	–	324.9	324.9
	177.7	719.3	897.0

Financial liabilities

	Financial liabilities at amortised cost HK$ million
Other financial liabilities included in creditors and accruals	339.2
Deposits received	2.3
Other borrowings (note 23)	1,329.3
Convertible bonds	921.3
	2,592.1

2017

Financial assets

	Financial assets at fair value through profit or loss - Held for trading HK$ million	Loans and receivables HK$ million	Total HK$ million
Other financial assets included in deposits, prepayments and other assets	–	8.6	8.6
Financial assets at fair value through profit or loss	206.9	–	206.9
Restricted cash	–	71.5	71.5
Time deposits	–	31.2	31.2
Cash and bank balances	–	565.3	565.3
	206.9	676.6	883.5

Financial liabilities

	Financial liabilities at amortised cost HK$ million
Other financial liabilities included in creditors and accruals	270.4
Deposits received	6.8
Other borrowings (note 23)	1,122.0
Convertible bonds	892.2
	2,291.4

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. Independent professional valuers are engaged for the valuation as appropriate. The valuation is reviewed and approved by management. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in deposits, prepayments and other assets, financial liabilities included in creditors and accruals and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the financial liabilities included in creditors and accruals, and other borrowings was assessed to be insignificant. The fair values of the liability portions of the convertible bonds are estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

The fair values of listed equity investments are determined based on quoted market prices.

Fair value hierarchy

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

Assets measured at fair value as at 31st December, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$ million	Significant observable inputs (Level 2) HK$ million	Significant unobservable inputs (Level 3) HK$ million	Total HK$ million
Financial assets at fair value through profit or loss:				
Listed equity investments	**177.7**	**–**	**–**	**177.7**

Assets measured at fair value as at 31st December, 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$ million	Significant observable inputs (Level 2) HK$ million	Significant unobservable inputs (Level 3) HK$ million	Total HK$ million
Financial assets at fair value through profit or loss:				
Listed equity investments	206.9	–	–	206.9

The movements in fair value measurements within Level 3 in the prior year were as follows:

	2017 HK$ million
At 1st January	10.2
Fair value loss recognised in profit or loss	(2.1)
Disposal of subsidiaries (note 29)	(8.1)
At 31st December	–

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

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other borrowings, convertible bonds, cash and bank balances and time deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities, such as financial assets at fair value through profit or loss, restricted cash, deposits received, other financial assets included in deposits, prepayments and other assets, and other financial liabilities included in creditors and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. The Directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's operations are mainly in Hong Kong and Mainland China. Entities within the Group are exposed to foreign exchange risk from future commercial transactions and monetary assets and liabilities that are denominated in currencies that are not the entities' functional currencies.

The Group currently does not have a foreign currency hedging policy. It manages its foreign currency risk by closely monitoring the movement of the foreign currency rates and entering into foreign currency option contracts to reduce the exposure should the need arises.

Credit risk

Maximum exposure and year-end staging as at 31st December, 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31st December, 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$ million	Stage 2 HK$ million	Stage 3 HK$ million	Simplified approach HK$ million	Total HK$ million
Other financial assets included in deposits, prepayments and other assets - Normal*	212.3	–	–	–	212.3
Loans receivable*	170.8	–	–	–	170.8
Restricted cash	6.5	–	–	–	6.5
Cash and cash equivalents	329.7	–	–	–	329.7
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	360.1	–	–	–	360.1
	1,079.4	–	–	–	1,079.4

* The credit quality of loans receivables and other financial assets included in deposits, prepayments and other assets is considered to be "normal" when they are not past due or there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as of 31st December, 2017

The credit risk of the Group's financial assets which comprise cash, bank balances and deposits, financial assets at fair value through profit or loss, and other financial assets included in debtors, deposits and prepayments, loans receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of guarantees to banks in connection with mortgage facilities for certain purchasers of the Group's properties, further details of which are disclosed in note 34 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loan facilities from a fellow subsidiary. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018		
	Within 1 year or on demand HK$ million	**1 to 5 years HK$ million**	**Total HK$ million**
Other financial liabilities included in creditors and accruals and other borrowings	**635.5**	**1,202.9**	**1,838.4**
Deposits received	**0.7**	**1.6**	**2.3**
Convertible bonds	**30.0**	**1,048.8**	**1,078.8**
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	**360.1**	**–**	**360.1**
	1,026.3	**2,253.3**	**3,279.6**

	2017		
	Within 1 year or on demand HK$ million	**1 to 5 years HK$ million**	**Total HK$ million**
Other financial liabilities included in creditors and accruals and other borrowings	351.4	1,231.6	1,583.0
Deposits received	6.8	–	6.8
Convertible bonds	30.0	1,078.8	1,108.8
Guarantees given to banks in connection with mortgage facilities provided to certain purchasers of the Group's properties	427.0	–	427.0
	815.2	2,310.4	3,125.6

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as financial assets at fair value through profit or loss (note 20) as at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$ million	Change in profit before tax HK$ million
2018		
Hong Kong listed investments	**177.7**	**8.9**
2017		
Hong Kong listed investments	206.9	10.3

There is no impact on the Group's equity except on the accumulated losses.

Capital management

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

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

The Group monitors capital using a net debt to total assets ratio, which is net debt divided by the total assets. Net debt includes interest bearing other borrowings and convertible bonds less cash, bank balances and deposits. The net debt to total assets ratios as at the end of the reporting periods were as follows:

	2018 HK$ million	2017 HK$ million
Interest bearing other borrowings and convertible bonds	**2,250.6**	2,014.2
Less: Cash, bank balances and deposits	**(336.2)**	(668.0)
Net debt	**1,914.4**	1,346.2
Total assets	**4,638.6**	5,855.3
Net debt to total assets ratio	**41.3%**	23.0%

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 HK$ million	2017 HK$ million
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,268.2**	1,176.1
CURRENT ASSETS		
Prepayment	**0.5**	0.5
Bank balances	**–**	0.4
Total current assets	**0.5**	0.9
CURRENT LIABILITIES		
Accruals	**(0.8)**	(1.3)
NET CURRENT LIABILITIES	**(0.3)**	(0.4)
Net assets	**1,267.9**	1,175.7
EQUITY		
Issued capital	**13.5**	13.5
Reserves (note)	**1,254.4**	1,162.2
Total equity	**1,267.9**	1,175.7

Note:

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

	Share premium account HK$ million	Capital redemption reserve HK$ million	Contributed surplus HK$ million	Accumulated losses HK$ million	Total HK$ million
At 1st January, 2017	1,402.6	0.2	26.8	(338.8)	1,090.8
Loss for the year	–	–	–	(5.4)	(5.4)
Issue of shares (note 27)	76.8	–	–	–	76.8
At 31st December, 2017 and at 1st January, 2018	1,479.4	0.2	26.8	(344.2)	1,162.2
Profit for the year	–	–	–	92.2	92.2
At 31st December, 2018	1,479.4	0.2	26.8	(252.0)	1,254.4

The contributed surplus represents reserves arising from the Group's reorganisation in 1991, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then subsidiaries' shares acquired at the date of acquisition, net of subsequent distributions therefor.

Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26th March, 2019.

Independent Auditor's Report

EY安永

To the shareholders of Cosmopolitan International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 121, which comprise the consolidated statement of financial position as at 31st December, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of properties under development, properties held for sale and goodwill	
The Group invested in two property development projects in Chengdu and Tianjin, the People's Republic of China (the "PRC"). As at 31st December, 2018, the properties under development, properties held for sale and goodwill allocated to the "property development" cash-generating unit amounted to HK$2,611.5 million, HK$638.3 million and HK$235.1 million, respectively, and in aggregate representing approximately 75% of the Group's total assets. Impairment assessment is performed by management using discounted cash flow projections to determine the value in use of the "property development" cash-generating unit which is considered as the recoverable amount. The impairment assessment is significant to our audit due to (i) significance of the amounts as at 31st December, 2018; and (ii) assumptions and estimates used in the discounted cash flow projections, such as estimated selling price and budgeted cost to complete the property development projects and discount rate. The Group's accounting policies and disclosures on impairment assessment of properties under development, properties held for sale and goodwill are included in notes 3 and 18 to the consolidated financial statements.	We discussed the progress of property development projects with management and evaluated the progress by site visit and review of surveyor's reports. With the assistance from our internal valuation specialists, we also assessed the assumptions and estimates used in the discounted cash flow projections, such as the estimated selling price, budgeted cost to complete the property development projects and discount rate, taking into consideration the selling price of comparable properties, market conditions and trends, reliability of previous projections and historical evidence supporting underlying assumptions. We also assessed the adequacy of disclosures on impairment assessment of properties under development, properties held for sale and goodwill in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investment deposits, loans and interest receivables relating to a potential investment	
As at 31st December, 2018, the Group had investment deposits of HK$193.6 million, loans receivable of HK$170.8 million and interest receivables of HK$14.2 million (the "Investment Amounts") due from the vendor and the target company (the "Debtors") in relation to a potential investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. The Investment Amounts were primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target company and certain associates of the vendor. The impairment assessment of the Investment Amounts is significant to our audit due to (i) significance of the amount as at 31st December, 2018; and (ii) significant management judgment and estimates involved in determining the recoverability with reference to, among others, the background and repayment capacity of the Debtors, the likelihood of default and the value of the collaterals. The Group's accounting policies on impairment assessment and disclosures of the potential investment are included in notes 3, 17 and 19 to the consolidated financial statements.	We evaluated management's impairment assessment by (i) examining the background information and repayment capacity of the Debtors such as reviewing the latest available financial information of the companies secured for the Investment Amounts; (ii) checking the ownership and assessing the values of the major underlying collaterals provided by the Debtors through independent search and review of valuation reports; (iii) discussing with management the possible settlement plans of the Investment Amounts; and (iv) obtaining confirmation to confirm the Investment Amounts from the Debtors. We also assessed the adequacy of disclosures in connection with the Investment Amounts in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
The Group owns investment properties in the PRC measured at an aggregate fair value of HK$134.5 million as at 31st December, 2018. The fair value estimation is significant to our audit due to (i) the significance of the carrying amount as at 31st December, 2018; and (ii) the inherently subjective valuation process involved, which is dependent on a number of estimates such as rental values of the properties and capitalisation rate. The Group's accounting policies and disclosures on the valuation of investment properties are disclosed in notes 3 and 14 to the consolidated financial statements.	Our internal valuation specialists assisted us in evaluating the valuation methodologies and assumptions, adopted by the external valuer, in the valuation of the investment properties. In addition, we benchmarked the fair values of investment properties to comparable market transactions. We have also assessed the independence, objectivity and competence of the external valuer. We also assessed the adequacy of disclosures in connection with the investment properties in the consolidated financial statements.

Key audit matter

Impairment assessment of prepayments relating to a re-forestation project

As at 31st December, 2018, the Group had incurred costs of HK$87.1 million in relation to a re-forestation project in Urumqi, Xinjiang, the PRC. Under the prevailing relevant policies and regulations, the Group would either (i) be entitled to land use right of 30% of a particular piece of land (the "30% Land Use Right") upon completion and certification by the relevant government authorities of the re-forestation works on that piece of land; or (ii) be reimbursed for the costs incurred for the re-forestation if the 30% Land Use Right is not rewarded (the "Land Use Right Exchange Policy").

Management has identified the delay in the progress of the re-forestation works as an indicator of impairment. An impairment assessment on the prepayments for re-forestation costs was performed by management by evaluating continual fulfillment of the Land Use Right Exchange Policy for the re-forestation project under the prevailing relevant policies and regulations.

The impairment assessment is significant to our audit due to significant management judgement involved in the assessment of continual fulfilment of the Land Use Right Exchange Policy which may affect the reward of land use right and reimbursement of prepayments.

The Group's accounting policies on impairment assessment and disclosures of the prepayments are included in notes 3 and 17 to the consolidated financial statements.

How our audit addressed the key audit matter

We evaluated management's impairment assessment by reviewing correspondences between the Group and the relevant government authorities and obtaining a legal advice from the Group's external legal counsel for fulfilment of the Land Use Right Exchange Policy. We have also assessed the independence, objectivity and competence of the external legal counsel.

We also assessed the adequacy of disclosures in connection with the re-forestation project in Urumqi, Xinjiang, the PRC in the consolidated financial statements.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Chi Ying.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26th March, 2019

Schedule of Principal Properties

As at 31st December, 2018

PROPERTIES FOR DEVELOPMENT/OR SALE

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(1)	Regal Cosmopolitan City at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel/office and commercial complex/ residential	Site area for the whole development – approx.111,869 sq. m. (1,204,148 sq. ft.) Stages one and two • a 298-room hotel • remaining 37 residential units, 811 car parking spaces, and commercial accommodation (Total gross floor area – approx. 9,692 sq. m. (104,375 sq. ft.)) Stage three • a six-storey commercial complex with gross floor area of approx. 48,000 sq. m. (516,700 sq. ft.) and five towers of office accommodations with gross floor area of approx. 90,500 sq. m. (974,100 sq. ft.) • 10 residential towers having 1,555 units with total gross floor area of approx. 175,478 sq. m. (1,888,850 sq. ft.)	Stages one and two • Construction works for 9 residential towers having 1,296 residential units completed in 2017 • Hotel portion scheduled to open in phases from first half of 2020 Stage three • Updated scheme design of commercial and office accommodations approved and construction works planned to commence in late 2019 (expected to be completed in 2023) • Construction works for 10 residential towers in steady progress (expected to be completed in 2021)	100

As at 31st December, 2018

	Description	Use	Approx. area	Stage of completion (completion date of development project)	Percentage of interest attributable to the Company
(2)	Regal Renaissance at the intersection between Weiguo Road and Xinkai Road, Hedong District, Tianjin, PRC	Commercial/ office/ residential	Site area for the whole development – approx. 31,700 sq. m. (341,000 sq. ft.) • remaining 32 residential units, 546 commercial and office units, and 1,230 car parking spaces (Total gross floor area – approx. 82,743 sq. m. (891,076 sq. ft.))	Residential towers, commercial complex and residential car parking spaces completed in 1st quarter of 2018 Superstructure works of two office towers expected to be resumed in 2nd quarter of 2019	100

As at 31st December, 2018

PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage of interest attributable to the Company
Certain commercial units of Phases 1 and 2 of Regal Renaissance, Intersection of Xinkai Road and Weiguo Road, Hedong District, Tianjin, PRC	Commercial	Medium term	100

Published Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

	Year ended 31st December, 2018 HK$ million	Year ended 31st December, 2017 HK$ million	Year ended 31st December, 2016 HK$ million	Year ended 31st December, 2015 HK$ million	Year ended 31st December, 2014 HK$ million
CONTINUING OPERATIONS					
Revenue	**2,147.3**	830.1	9.7	9.2	(7.9)
Operating profit/(loss) before depreciation	**438.2**	133.8	(19.8)	(275.5)	(51.1)
Depreciation	**(9.1)**	(12.3)	(12.4)	(4.5)	(1.5)
Finance costs	**(112.6)**	(79.1)	(104.7)	(109.0)	(104.4)
Share of profit/(loss) of a joint venture	**–**	–	23.0	29.8	29.8
Profit/(Loss) before tax from continuing operations	**316.5**	42.4	(113.9)	(359.2)	(127.2)
Income tax	**(114.6)**	(25.6)	–	14.3	(0.2)
Profit/(Loss) for the year from continuing operations	**201.9**	16.8	(113.9)	(344.9)	(127.4)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	(5.0)	(2.5)	–	–
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests	**201.9**	11.8	(116.4)	(344.9)	(127.4)
Attributable to:					
Equity holders of the parent	**201.9**	13.7	(115.2)	(344.9)	(127.4)
Non-controlling interests	**–**	(1.9)	(1.2)	–	–
	201.9	11.8	(116.4)	(344.9)	(127.4)

Published Five Year Financial Summary (Cont'd)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December, 2018 HK$ million	31st December, 2017 HK$ million	31st December, 2016 HK$ million	31st December, 2015 HK$ million	31st December, 2014 HK$ million
Property, plant and equipment	**1.8**	11.0	25.5	37.2	15.8
Investment properties	**134.5**	–	–	–	–
Properties under development	**905.7**	1,312.5	1,293.0	1,297.3	1,305.1
Investment in a joint venture	**2.4**	2.4	2.4	575.6	575.6
Contingent consideration receivable	**–**	–	10.3	–	–
Non-current deposits and prepayments	**280.8**	81.1	66.9	71.6	69.7
Other asset	**–**	–	5.1	–	–
Goodwill	**235.1**	235.1	235.1	235.1	234.5
Intangible assets	**–**	–	97.1	–	–
Current assets	**3,078.3**	4,213.2	4,318.4	3,293.2	3,199.9
Total assets	**4,638.6**	5,855.3	6,053.8	5,510.0	5,400.6
Current liabilities	**(904.0)**	(2,248.3)	(2,260.8)	(3,476.8)	(168.3)
Non-current other payables	**–**	–	–	–	(2,881.9)
Non-current creditors and accruals	**(29.0)**	(29.2)	(32.8)	–	–
Non-current deposits received	**(1.6)**	–	–	–	–
Non-current other borrowings	**(1,062.0)**	(1,062.0)	(1,350.0)	–	–
Convertible bonds	**(921.3)**	(892.2)	(896.0)	(467.2)	(446.2)
Derivative financial instruments	**–**	–	–	(177.3)	(31.0)
Deferred tax liabilities	**(307.6)**	(311.0)	(374.5)	(348.3)	(362.5)
Total liabilities	**(3,225.5)**	(4,542.7)	(4,914.1)	(4,469.6)	(3,889.9)
Non-controlling interests	**–**	–	32.1	–	–

www.cosmoholdings.com