SHANGHAI ZENDAI
上海証大房地產有限公司

ANNUAL REPORT 2018

SHANGHAI ZENDAI PROPERTY LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 00755

CONTENTS

BOARD AND COMMITTEES

BOARD

Executive Directors

Mr. Qiu Haibin *(Chairman)*
Mr. Qin Renzhong
Mr. Zhang Huagang
Mr. Tang Jian

Non-executive Directors

Ms. Wang Zheng
Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

COMMITTEES

Audit Committee

Mr. How Sze Ming *(Chairman)*
Mr. Chow Alexander Yue Nong
Mr. Ng Man Kung
Dr. Di Ruipeng

Remuneration Committee

Mr. Chow Alexander Yue Nong *(Chairman)*
Mr. Qiu Haibin
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

Nomination Committee

Mr. Qiu Haibin *(Chairman)*
Mr. Chow Alexander Yue Nong
Mr. Ng Man Kung
Dr. Di Ruipeng

CORPORATE INFORMATION

PRINCIPAL BANKERS

Bank of China
China Citic Bank International Limited
Bank of Communication
China Bohai Bank
Agricultural Bank of China
Bank of Beijing
China Mingsheng Bank
Bank of Dalian
Industrial and Commercial Bank of China

SOLICITORS

Hong Kong

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Hong Kong

Bermuda

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REGISTERED OFFICE

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6508,65/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPANY SECRETARY

Mr. Wong Ngan Hung

QUALIFIED ACCOUNTANT

Mr. Wong Ngan Hung

REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 54, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The board of directors (the "**Directors**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$7,172,037,000, representing an increase of 1.37 times as compared with approximately HK$3,027,741,000 for the year in 2017. The significant increase in turnover was mainly due to the acquisition of the remaining equity interests of 南京証大大拇指商業發展有限公司 (Nanjing Thumb Commercial Development Co., Ltd*, "**Nanjing Zendai**") by the Group in December 2017, in which the turnover of Nanjing Zendai of approximately HK$2,564,946,000 was consolidated during the year (last year: approximately HK$23,092,000) and the initial delivery of the second phase of Riverside Thumb Plaza in Nanjing. The turnover of the Group for the year was mainly attributed to:

- revenue recognition of service apartments, commercial units and office buildings of Nanjing Himalayas Center
- revenue recognition of the apartments and commercial units of the first and the second phase of Riverside Thumb Plaza in Nanjing
- revenue recognition of residential properties in Nantong, Xizhen and Haimen
- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") was approximately HK$905,485,000 as compared to the profit of HK$34,400,000 recorded for the year ended 31 December 2017. Basic loss per share of the Company (the "**Share**") was HK$6.09 cents (basic profit per share for the year in 2017: HK$0.23 cent).

In December 2017, the Group acquired the remaining ownership interest of Nanjing Zendai which constituted a business combination. The carrying value of the Group's previously held equity interests in Nanjing Zendai which was accounted for using the equity method was re-measured to fair value at the acquisition date and a fair value gain on remeasurement of HK$1,193 million was recognized as other income and gains. The absence of the one-off gain in 2018 led to a reversal from profit in 2017 to loss in 2018.

BUSINESS REVIEW

During the year under review, Shanghai Zendai developed and continuously improved a domestic business presence with Shanghai and Nanjing as the centre and radiating outwards into major regions and cities nationwide relying on its complete construction, operation and management capabilities and independent teams responsible for planning and development, investment promotion programming, operation and property management.

During the year, with respect to the Group's performance in the first and second tier cities, the "Nanjing Himalayas Center" project and the "Riverside Thumb Plaza" project in Nanjing remained the major sales, and thus the important drivers for the Group's future turnover growth, of which the "Nanjing Himalayas Center" project of Nanjing Zendai was honored as the Benchmarking Project for the Commercial Property Sector of China in 2018 and ranked among the TOP10 Commercial Property Developers of China for 2018 in terms of brand value. During the year, construction of Phase I and Phase II of the "Feng Yun Mansion" of Riverside Thumb Plaza in Nanjing were completed and ready for delivery. Besides, Qingdao Zendai Himalayas Hotel was honored as an excellent service provider for its performance during the 2018 Shanghai Cooperation Organization Summit held in Qingdao. In Shanghai, the Group, leveraging its solid strength established over years of operation, kept on exploring new development opportunities.

For the business in the third and fourth tier cities, the Group has successively disposed of relevant business in recent years, and has completed the disposal of projects located in Haikou City and Erdos City successfully during the year. While actively seeking for any opportunity that can enable it to strip off its projects from these cities, and operating under such an asset-light business strategy, the Group is capable of concentrating resources and efforts in extensively exploring development potential in Nanjing, Shanghai and other major cities.

COMMERCIAL PROPERTY PROJECTS IN CHINA

Shanghai

Shanghai Zendai Thumb Plaza

Shanghai Zendai Thumb Plaza (the "**Plaza**") is an integrated commercial complex in a prime location adjacent to Shanghai's Century Park and the Lujiazui financial district. As at 31 December 2018, the Group still owns 40,333 square metres of commercial space and 430 underground carparking spaces in the Plaza. As at 31 December 2018, more than 98% of the commercial space in the Plaza has been leased. Rental received during the year was approximately RMB70,144,000 (equivalent to approximately HK$83,119,000).

Shanghai Zendai Thumb Plaza

Grand Mercure Shanghai Century Park

The Group's five-star Grand Mercure Shanghai Century Park is located in the Plaza. The 18-storey hotel, which is managed under the "Grand Mercure" brand by HUAZHU Hotel Group, boasts a gross floor area of 31,530 square metres and 361 guest rooms, a four storey ancillary building and one level of basement. During the year under review, the average occupancy rate of the hotel was 74%, and total income amounted to approximately RMB76,981,000 (equivalent to approximately HK$91,221,000).

Shanghai Himalayas Center

The Group's 45%-owned Shanghai Himalayas Center is located in the heart of Pudong, Shanghai. Designed by Arata Isozaki, an internationally acclaimed architect, it is a landmark within the Pudong New District. The Shanghai Himalayas Center is an amalgam of the Jumeirah Himalayas Hotel Shanghai, shopping mall and other auxiliary facilities (comprising the DaGuan Theatre and the Himalayas Art Museum). The project occupies a site area of 28,893 square metres with a total gross floor area of approximately 162,207 square metres (including underground carparking space of 26,287 square metres).

The Jumeirah Himalayas Hotel Shanghai, a luxury five-star hotel managed by the Jumeirah Hotel Group from Dubai, is the Jumeirah Hotel Group's first hotel in Asia Pacific. The hotel boasts a gross floor area of 60,452 square metres, providing 393 guest rooms. Enjoying a favourable location, the hotel is adjacent to the Shanghai New International Expo Center which connects with Metro Line 7 and is within walking distance to the maglev station. The average occupancy rate of the hotel during the year under review was 75%, with a total income of approximately RMB225,514,000 (equivalent to approximately HK$267,228,000). The high quality environment and service of the Jumeirah Himalayas Hotel Shanghai won acclaims across the industry. Over the years, the hotel was successively awarded the "Best Conference Hotel" by Chance Lifestyle (Chance品味), the Best Space Design TOP 10 for Shang-High Cuisine Restaurant by Hurun Report, the Best Guest Experience by Shen Bao (申報), the Best Wedding Hotel by Fashion Hotel and the Best Business Hotel of the Year by CityTraveller. Shang-High Cuisine Restaurant was awarded as one-star restaurant by The Michelin Guide for three consecutive years and the hotel was granted as the Most Popular Resort Hotel by Ctrip. During the year under review, an average of approximately 87% of the commercial space of the shopping centre in Shanghai Himalayas Center with a leasable area of 23,362 square metres was leased, with a rental income of approximately RMB77,599,000 (equivalent to approximately HK$91,953,000).

Shanghai Himalayas Center

Nanjing

Nanjing Himalayas Center

The Group is developing the G15 land parcel in a prime location around Nanjing South Train Station into Nanjing Himalayas Center with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases.

The first phase of the project has a gross floor area of approximately 182,658 square metres, including 20,394 square metres of service apartments, 3,437 square metres of commercial space, 71,084 square metres of office building, 19,558 square metres of hotel and 68,185 square metres of underground car-parking space. The first phase, with a total saleable area of 93,884 square metres, including 20,164 square metres of service apartments, 3,437 square metres of commercial space and 70,283 square metres of office building, commenced pre-sale in April 2015. During the year under review, total contracted areas of service apartments and office building of 964 square metres and 3,368 square metres were sold, respectively, generating a total contract value of RMB13,791,000 (equivalent to approximately HK$16,342,000) and RMB52,203,000 (equivalent to approximately HK$61,859,000), respectively. During the year, the delivered areas of service apartments, commercial space and office building were 1,737 square metres, 40 square metres and 4,526 square metres respectively, with a total contract value of RMB25,599,000 (equivalent to approximately HK$30,334,000), RMB1,482,000 (equivalent to approximately HK$1,756,000) and RMB75,963,000 (equivalent to approximately HK$90,014,000). A total amount of RMB95,661,000 (equivalent to approximately HK$113,356,000) was recognised as turnover during the year. As at 31 December 2018, cumulative areas of 20,164 square metres, 3,269 square metres and 68,068 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB340,553,000 (equivalent to approximately HK$403,547,000), RMB127,271,000 (equivalent to approximately HK$150,813,000) and RMB1,210,589,000 (equivalent to approximately HK$1,434,517,000) respectively. The Group had signed a contract for the hotel portion with a contract value of RMB359,640,000 (equivalent to approximately HK$426,164,000) and the transaction is scheduled to be completed within 2019.

Nanjing Himalayas Center

The second phase of the project, covering a gross floor area of approximately 208,488 square metres, is planned to be developed into service apartments, a commercial complex, commercial streets and office buildings, including 53,967 square metres of service apartments, 17,968 square metres of commercial space, 53,136 square metres of office building and 83,417 square metres of underground car-parking space. The second phase of the project commenced pre-sale in July 2016, with a total saleable area of 119,844 square metres, including 52,710 square metres of service apartments, 16,873 square metres of commercial space and 50,261 square metres of office building. During the year under review, total contracted areas of service apartments, commercial space and office building of 23,605 square metres, 1,615 square metres and 18,915 square metres were sold respectively, generating a total contract value of RMB459,433,000 (equivalent to approximately HK$544,416,000), RMB60,455,000 (equivalent to approximately HK$71,638,000) and RMB323,061,000 (equivalent to approximately HK$382,819,000) respectively. As at 31 December 2018, the cumulative areas of 52,037 square metres, 16,577 square metres and 49,576 square metres of service apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB994,797,000 (equivalent to approximately HK$1,178,809,000), RMB619,125,000 (equivalent to approximately HK$733,647,000) and RMB875,344,000 (equivalent to approximately HK$1,037,260,000) respectively. The second phase of the project commenced delivery in the first half year of 2018. During the year, the delivered areas of service apartments, commercial space and office building were 50,357 square metres, 14,835 square metres and 47,609 square metres respectively, with a total contract value of RMB964,493,000 (equivalent to approximately HK$1,142,900,000), RMB562,392,000 (equivalent to approximately HK$666,420,000) and RMB844,513,000 (equivalent to approximately HK$1,000,726,000). During the year, a total amount of RMB2,048,456,000 (equivalent to approximately HK$2,427,368,000) was recognised as turnover.

The third phase of the project, covering a gross floor area of approximately 228,316 square metres, is intended to be developed into service apartments, a commercial complex and office buildings, including 15,843 square metres of service apartments, 82,886 square metres of commercial space, 57,962 square metres of office building and 71,625 square metres of underground car-parking space. The third phase of the project commenced pre-sale in the first half of 2018. The total saleable area of 69,441 square metres, including 14,922 square metres of service apartments and 54,519 square metres of office building. During the year under review, total contracted areas of service apartments and office building of 11,903 square metres and 10,707 square metres were sold, respectively, generating a total contract value of RMB298,873,000 (equivalent to approximately HK$354,157,000) and RMB208,795,000 (equivalent to approximately HK$247,417,000), respectively.

The First Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns a parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 13,220 square metres is planned to be developed into an integrated complex comprising apartments and commercial space with a gross floor area of approximately 84,770 square metres, including 78,548 square metres of apartments and 6,222 square metres of commercial space. Construction of the project commenced in June 2014 and pre-sale started in December 2015, with a total saleable area of 81,160 square metres, comprising 77,374 square metres of apartments and 3,786 square metres of commercial space. During the year under review, the total contracted areas of commercial space of 412 square metres were sold, generating a total contract value of RMB19,705,000 (equivalent to approximately HK$23,350,000). As at 31 December 2018, cumulative areas of 77,374 square metres and 2,978 square metres of apartments and commercial space had been sold respectively, generating a total contract value of RMB1,926,989,000 (equivalent to approximately HK$2,283,433,000) and RMB134,110,000 (equivalent to approximately HK$158,917,000) respectively. During the year, the delivered areas of apartments and commercial space were 20,020 square metres and 2,154 square metres respectively, with a total contract value of RMB501,616,000 (equivalent to approximately HK$594,402,000) and RMB96,711,000 (equivalent to approximately HK$114,600,000). During the year, a total amount of RMB508,133,000 (equivalent to approximately HK$602,125,000) was recognised as turnover.

The Second Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province. The land with a site area of approximately 26,318 square metres is planned to be developed into an integrated complex comprising apartments, commercial space and office building with a gross floor area of approximately 163,184 square metres, including 134,627 square metres of apartments, 7,042 square metres of commercial space and 21,515 square metres of office building. Construction of the project commenced in March 2015 and the pre-sale started in September 2016, with total saleable areas of 160,307 square metres, including 132,965 square metres of apartments, 6,745 square metres of commercial space and 20,597 square metres of office building. During the year under review, the total

Nanjing Zendai M Mansion

contracted areas of apartments, commercial space and office building of 43,820 square metres, 1,195 square metres and 9,572 square metres were sold respectively, generating a total contract value of RMB1,515,990,000 (equivalent to approximately HK$1,796,410,000), RMB63,321,000 (equivalent to approximately HK$75,034,000) and RMB178,392,000 (equivalent to approximately HK$211,390,000). As at 31 December 2018, cumulative areas of 132,852 square metres, 3,068 square metres and 9,572 square metres of apartments, commercial space and office building had been sold respectively, generating a total contract value of RMB4,211,149,000 (equivalent to approximately HK$4,990,104,000), RMB179,489,000 (equivalent to approximately HK$212,690,000) and RMB178,392,000 (equivalent to approximately HK$211,390,000) respectively. During the year, the delivered areas of apartments and commercial space were 68,696 square metres and 1,909 square metres respectively, with a total contract value of RMB1,978,699,000 (equivalent to approximately HK$2,344,708,000) and RMB119,678,000 (equivalent to approximately HK$141,815,000). During the year, a total amount of RMB2,035,575,000 (equivalent to approximately HK$2,412,105,000) was recognised as turnover.

The Third Phase of "Riverside Thumb Plaza" in Nanjing

The Group owns another parcel of land located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, Jiangsu Province with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office building, commercial space and apartments, including 77,390 square metres of office building, 6,419 square metres of commercial space and 43,186 square metres of apartments. Construction of the project commenced in June 2018 and the pre-sale was planned to start in the third quarter of 2019.

Perspective of the Third Phase of "Riverside Thumb Plaza" in Nanjing

Other Cities

Qingdao Zendai Thumb Plaza

Qingdao Zendai Thumb Plaza is located in the central area of business district on Haier Road in Qingdao City, Shandong Province, the PRC. The project has a site area of approximately 38,092 square metres with a total gross floor area occupying approximately 213,059 square metres. It includes retail shops (68,129 square metres), a hotel (29,593 square metres), service apartments (70,066 square metres) and car-parking space (45,271 square metres).

During the year under review, a total contracted area of service apartments of 5,702 square metres was sold, generating a total contract value of RMB83,456,000 (equivalent to approximately HK$98,893,000). As at 31 December 2018, a cumulative area of 62,303 square metres had been sold, generating a contract value of RMB926,948,000 (equivalent to approximately HK$1,098,410,000). During the year, an area of 6,633 square metres was delivered with a total contract value of RMB95,692,000 (equivalent to approximately HK$113,393,000). During the year, a total amount of RMB91,346,000 (equivalent to approximately HK$108,243,000) was recognised as turnover.

As at 31 December 2018, around 88% of the commercial space (with a leasable area of 50,233 square metres) was leased, with a rental income of RMB26,966,000 (equivalent to approximately HK$31,954,000) during the year.

Himalayas Qingdao Hotel, located in the Qingdao Zendai Thumb Plaza, is managed by the Group's own hotel management company under the Group's "Himalayas" brand. The average occupancy rate of the hotel during the year was 74%, with a total income of RMB57,046,000 (equivalent to approximately HK$67,598,000).

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). Construction of the project is divided into three phases.

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres, of which 86% has been leased as at 31 December 2018, with a rental income of RMB4,595,000 (equivalent to approximately HK$5,445,000) during the year.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres. An area of 212 square metres of commercial space were sold during the year, generating a total sales contract value of RMB3,745,000 (equivalent to approximately HK$4,438,000). As at 31 December 2018, a total cumulative contracted area of 71,344 square metres (including 40,824 square metres of multi-storey apartments, 27,909 square metres of townhouses, 2,237 square metres of detached villas and 374 square metres of commercial space) was sold, generating a total contract value of RMB844,522,000 (equivalent to approximately HK$1,000,737,000). During the year under review, an area of 4,816 squares metres (including 2,248 square metres of multi-storey apartments, 2,039 square metres of townhouses, 436 square metres of detached villas and 93 square metres of commercial space) was delivered with a total contract value of RMB65,533,000 (equivalent to approximately HK$77,655,000). During the year, a total amount of RMB35,689,000 (equivalent to approximately HK$42,291,000) was recognised as turnover.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town, with commercial area of 60,979 square metres (with an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (with an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started pre-sale in September 2016, with a total saleable area of 41,000 square metres. An area of 899 square metres of residential properties and 3,727 square metres of commercial space were sold during the year under review, generating a total contract value of RMB21,552,000 (equivalent to approximately HK$25,539,000) and RMB49,156,000 (equivalent to approximately HK$58,249,000) respectively. As at 31 December 2018, a cumulative area of 33,306 square metres of residential properties and 3,727 square metres of commercial space were sold respectively, generating a total contract value of RMB566,557,000 (equivalent to approximately HK$671,356,000) and RMB49,156,000 (equivalent to approximately HK$58,249,000) respectively. During the year under review, an area of 27,194 squares metres of residential properties were delivered with a total contract value of RMB442,583,000 (equivalent to approximately HK$524,450,000) respectively. During the year, a total amount of RMB423,238,000 (equivalent to approximately HK$501,526,000) was recognised as turnover. The construction of Phase 2 of Old Town has not commenced yet.

Yangzhou Commercial Project

The Group has an integrated project for commercial, cultural, leisure and entertainment use in the heart of Yangzhou City, including 12 blocks and 243 units with a gross floor area of approximately 20,089 square metres. As at 31 December 2018, the remaining area of 15,974 square metres was used for rental purposes.

Project in Chengmai County, Hainan Province

The Group owns 60% interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres. The land is intended to be developed into a leisure-related commercial and residential property, including hotels, villas and other related facilities.

RESIDENTIAL PROJECTS IN CHINA

Shanghai

Zendai Xizhen Thumb Plaza

The Group owns a parcel of land with an area of approximately 140,099 square metres in the tourist district of Zhujiajiao Town, Qingpu District, Shanghai. It was developed as Zendai Xizhen Thumb Plaza comprising mid-range to high-end residential properties, retail shops, resort villas and resort hotel in two phases, with a total gross floor area of approximately 169,004 square metres.

Phase I of the project has a gross floor area of approximately 98,479 square metres, which consists of residential properties (40,945 square metres) and commercial space (57,534 square metres). The Group intends to bring in tenants for the commercial areas, including large international cinemas, mid-range to high-end restaurants and supermarkets. An area of 852 square metres of residential properties and 10,713 square metres of commercial space were sold respectively during the year, generating a total contract value of RMB21,104,000 (equivalent to approximately HK$25,008,000) and RMB159,022,000 (equivalent to approximately HK$188,437,000), respectively. As at 31 December 2018, the total cumulative residential and commercial areas of 23,084 square metres and 23,035 square metres had been sold respectively, generating a total contract value of RMB441,669,000 (equivalent to approximately HK$523,367,000) and RMB472,593,000 (equivalent to approximately HK$560,011,000) respectively. Residential properties with areas of 3,657 square metres and commercial space with areas of 11,505 square metres were delivered respectively during the year with a total contract value of RMB87,626,000 (equivalent to approximately HK$103,835,000) and RMB169,913,000 (equivalent to approximately HK$201,343,000). During the year, a total amount of RMB237,173,000 (equivalent to approximately HK$281,044,000) was recognised as turnover.

Construction of Phase II with a gross floor area of approximately 70,525 square metres commenced in the fourth quarter of 2013, with resort villas (occupying 46,155 square metres) and a resort hotel (occupying 24,370 square metres) to be erected respectively. A sales contract with the consideration of RMB106,702,000 (equivalent to approximately HK$126,439,000) in relation to the resort hotel was entered into in April 2018, the transaction of which was completed in September 2018. Resort villas started pre-sale in November 2014 and was completed in April 2016. As at 31 December 2018, a cumulative area of resort villas of 28,253 square metres had been sold, generating a total contract value of RMB443,478,000 (equivalent to approximately HK$525,510,000).

Other Cities

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land occupying a total site area of 1,389,021 square metres. The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering 52 detached villas which were all sold out. Phase II of the "Dong Zhou Mansion" is to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres, the construction of which already commenced in February 2014. However, the construction of the project has been suspended due to changes in market conditions.

"Multiflora Garden", the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold out. As at 31 December 2018, an area of approximately 3,334 square metres remained undelivered. Phase III has a saleable area of approximately 91,817 square metres. As at 31 December 2018, a total cumulative area of 78,250 square metres had been sold, generating a total contract value of RMB464,499,000 (equivalent to approximately HK$550,419,000). During the year, an area of 5,437 square metres was delivered with a total contract value of RMB29,747,000 (equivalent to approximately HK$35,249,000). During the year, a total amount of RMB25,113,000 (equivalent to approximately HK$29,758,000) was recognised as turnover.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres. As at 31 December 2018, a cumulative area of 51,268 square metres was sold, generating a total cumulative contract value of RMB230,446,000 (equivalent to approximately HK$273,073,000). During the year, an area of 915 square metres involving total contract value of RMB3,768,000 (equivalent to approximately HK$4,465,000) was delivered. During the year, a total amount of RMB3,730,000 (equivalent to approximately HK$4,420,000) was recognised as turnover.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed into small high-rise residential properties with ancillary commercial space in two phases with a saleable area of approximately 194,088 square metres. The first phase offers a saleable area of 81,394 square metres. As at 31 December 2018, a cumulative area of 79,785 square metres was sold, generating a total contract value of RMB359,515,000 (equivalent to approximately HK$426,016,000). During the year, an area of 1,161 square metres involving a contract value of RMB5,134,000 (equivalent to approximately HK$6,084,000) was delivered. During the year, a total amount of RMB4,962,000 (equivalent to approximately HK$5,880,000) was recognised as turnover.

The Phase III, named as Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, named as "Thumb Plaza" with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres, the construction of which commenced in April 2012 and was completed in the second half of 2015.

Land Parcels in Inner Mongolia Autonomous Region

The Group owns two parcels of land in Dongsheng Kangbashi New Area, Ordos City, Inner Mongolia Autonomous Region, the PRC, with a total site area of 248,118 square metres. The two land parcels are intended to be developed into villas in phases with a planned saleable area of 122,890 square metres. The project was suspended due to changes in market conditions. Taking into account the market value, overall prospects and capital requirements of the project, the Group entered into an agreement with a purchaser in September 2017 to dispose of the entire project at a consideration of approximately RMB215,000,000 (equivalent to approximately HK$245,154,000), the transaction of which was completed in October 2018. The details of the transaction was disclosed in the announcement of the Company dated 11 September 2017.

A Parcel of Land in Yantai Development Zone

The Group and 煙台開發區宏遠物業有限公司 (Yantai Hong Yuan Property Company Limited*) entered into a cooperation agreement to develop "Yantai Thumb Project" located at E-9 District, Yantai Development Zone, Yantai, Shandong Province, pursuant to which Shanghai Zendai holds 70% equity interests in the "Yantai Thumb Project". The project occupies an area of 26,476 square metres and is still under planning stage.

CHANGE OF INTEREST

As disclosed in the announcement of the Company dated 16 May 2018, Topper Shiny Limited completed its sale of 4,462,317,519 Shares (representing approximately 29.99% of the issued share capital of the Company) to Nantong Sanjian Holding (HK) Co., Limited. As at 31 December 2018, Nantong Sanjian Holding (HK) Co., Limited held 4,462,317,519 Shares (representing approximately 29.99% of the issued share capital of the Company), while Topper Shiny Limited did not hold any Shares.

PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

In the second half of 2018, with the implementation of regulatory policies on real estate across China, the rapid development of the real estate industry stopped. The third and fourth-tier cities saw a decline in housing prices, and the property turnover rates in the first-tier cities dropped. However, the performance of housing prices remained stable.

Looking forward，Shanghai Zendai will continue to adhere to the development strategy of "extensively developing in areas of the first and second tier cities, while gradually stripping off its business from the third and fourth tier cities", persistently focus on Shanghai, Nanjing and other first and second tier cities as key development areas, deploy and plan for quality and industry benchmarking commercial and residential property projects, concentrate on studies on market trends and demands, and optimize and strategically deploy assets of the Group, in an effort to establish the image of a premium brand. The "Nanjing Himalayas Center" project and the "Riverside Thumb Plaza" project in Nanjing will remain to constitute the major sales of the Group, and thus the important drivers for the Group's future turnover growth. In Shanghai, the Group will continue to make use of the competitive advantages accumulated after years of operation and explore new development opportunities.

As a comprehensive urban developer with commercial and residential real estate as its core business, the Group will continue to improve its strategic layout of domestic business, which is to establish presence in all major regions and cities of the country with base in Shanghai and Nanjing. As a brand-oriented integrated real estate developer, Zendai Property adheres to its corporate tenet of "pursuing professional quality, integrating architecture and art", creating value in a more open and innovative mind, to reward the society and shareholders. With the rapid development of the Company, we have always adhered to the differentiated brand strategy of "Architecture • Art • Life", while continuously seeking for new cooperation opportunities. Through actively capturing the latest market trend, Shanghai Zendai will leverage its advantages in the first and second tier cities to keep exploring new development areas and to provide consumers with a high quality living space.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

During the year under review, the Group recorded a loss as compared to a profit in 2017, primarily attributable to the absence of the one-off fair value re-measurement gain of HK$1,193 million from a business combination of the equity interests in Nanjing Zendai in the previous financial year. During the year, the Group completed the disposal of projects located in Haikou City and Erdos City. On the other hand, as at the end of last year, the Group completed the repurchase of remaining equity interests in Nanjing Zendai which changed from a joint venture to a subsidiary of the Company. The Nanjing Himalayas Center (project in Nanjing Zendai) and the first and second phases of Riverside Thumb Plaza were expected to be the Group's main driver and contributor to the growth of turnover in the forthcoming years.

LIQUIDITY, FINANCIAL RESOURCES, CAPITAL STRUCTURE AND GEARING

As at 31 December 2018, the Group had a healthy financial position with net assets value of approximately HK$2,788 million (31 December 2017: approximately HK$3,927 million). Net current assets amounted to approximately HK$2,576 million (31 December 2017: approximately HK$5,979 million) with current ratio decreased from 1.44 times at 31 December 2017 to approximately 1.23 times at 31 December 2018. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and cash equivalents, and equity attributable to owners of the Company. The Group adopted relatively prudent financial policy and closely monitored its cash flow. As at 31 December 2018, the Group had consolidated borrowings and loans of approximately HK$6,969 million, in which HK$3,140 million was repayable within one year and HK$3,829 million was repayable more than one year. As at 31 December 2018, borrowings of the amount of HK$5,904 million (31 December 2017: HK$6,604 million) bear interest at fixed interest rates ranging from 5% to 18.15% per annum (31 December 2017: 3.30% to 12.10% per annum). As at 31 December 2018, the Group's bank balances and cash including restricted cash were approximately HK$1,978 million (31 December 2017: HK$2,278 million). The gearing ratio of the Group increased from 2.45 times at 31 December 2017 to 2.68 times at 31 December 2018 (basis: net debts, which is defined as total amounts of borrowings and loans and amounts due to minority owners of subsidiaries less total amounts due from an associate, divided by shareholders' funds).

SEGMENT INFORMATION

Sales of properties

The turnover of this segment for the year was approximately HK$6,684,554,000 (2017: HK$2,512,153,000). The increase was due to the increase of turnover to be recognized as a result of the consolidation of Nanjing Zendai at the end of last year.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$327,637,000 (2017: HK$349,324,000). The decrease was due to decrease of investment properties available for leasing and properties managed by the Group after the disposal of subsidiaries in the second half of last year.

Hotel Operations

The turnover of this segment for the year was HK$159,846,000 (2017: HK$166,264,000) which remained stable overall.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to risks arised from exchange rate fluctuations. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2018 were mainly denominated in RMB, USD and HK$. Bank borrowings of the Group as at 31 December 2018 were mainly denominated in USD and RMB. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2018, the Group employed approximately 1,202 employees in Hong Kong and the PRC (2017: 1,352 employees in Hong Kong and the PRC). They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance as well as share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

(a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "**Agreements**") to acquire the equity interest of 6 companies which hold land parcels (the "**Land Parcels**") in Gulou District, Nanjing (the "**Acquisitions**"). The aggregate site area of the Land Parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the Company's announcement dated 25 August 2015.

    As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this report, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Company and it is expected that the remaining land title certificates of the Land Parcels will be obtained and delivered to the Company by no later than 31 December 2020. The parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

(b) As at 12 February 2018, the Group entered into an agreement with a purchaser to dispose of an indirect wholly owned subsidiary of the Company, which owns certain office and commercial areas and carpark spaces in 海墾國際金融中心 (Haiken International Finance Centre*) located in Haikou, Hainan Province, at a total consideration of RMB126,800,000 (equivalent to approximately HK$142,712,000). The details of disposal were set out in the announcement of the Company dated 12 February 2018. The transaction has been completed in November 2018.

EVENT SINCE THE END OF THE FINANCIAL YEAR

There is no important events occurred since the end of the financial year.

PLEDGE OF ASSETS

As at the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**541,688**	596,007
Land use rights	**454,452**	517,999
Investment properties	**2,680,346**	1,848,204
Properties under development and completed properties held-for-sale	**4,483,740**	2,843,639
Pledged bank deposits	**568,335**	857,494
	8,728,561	6,663,343

CONTINGENT LIABILITIES

As at 31 December 2018, the Group provided guarantees to the extent of approximately HK$988,658,000 (2017: HK$763,552,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the fair value of guarantee contracts is insignificant at initial recognition.

A. EXECUTIVE DIRECTORS

Mr. Qiu Haibin ("Mr. Qiu"), aged 49, has been an executive Director of the Company, the chairman of the Board, a member and the chairman of the nomination committee, a member of remuneration committee of the Board and an authorised representative of the Company for the purposes of the Listing Rules since 13 April 2017. Mr. Qiu also serves as director of Nanjing Lifang Real Estate Co., Ltd.（南京立方置業有限公司）and Nanjing Thumb Commercial Development Co., Ltd.（南京証大大拇指商業發展有限公司）, which are the subsidiaries of the Company. Mr. Qiu graduated from Zhejiang Radio & Television University with a bachelor's degree in finance and obtained a graduate degree in finance from Nanjing University.

Mr. Qiu has been the legal representative and chief executive director of Shenzhen Qianhai CORC Asset Management Corporation（深圳前海東方瑞宸基金管理有限公司）(which is 40% indirectly held by China Orient Asset Management (International) Holding Limited) ("**COAMI**") since September 2013, the chairman of Shanghai Suns Investment Management Co., Ltd（上海盛實投資管理有限公司）since 2015, the director and vice president of Greentown Orient Construction Management Co., Ltd.（綠城東方建設管理有限公司）since February 2015 and the director and deputy general manager of Zhou Shan Greentown Development Co., Ltd.（舟山綠城發展有限公司）since August 2016. Mr. Qiu was the executive deputy general manager of Jiangsu Dongxing Realty Company Limited（江蘇東興置業有限公司）from 2009 to September 2013, the general manager of the asset management division of Shanghai Sundee Group（上海晟地集團）from 2001 to 2008 and the deputy director of Dagan office, a director of the Credit Division of Zhoushan City branch in Zhejiang province of Bank of China as well as the general manager of Zhongyin Industrial Corporation（中銀實業公司）during the period from 1988 to 2000. Mr. Qiu has also been a research fellow of the Centre of Asian Studies of Zhejiang University since 2016.

Mr. Qin Renzhong ("Mr. Qin"), aged 48, has been an executive Director of the Company since 29 June 2018. Mr. Qin graduated from Nankai University in 1995 and 1992 with a master's degree in political economics and a bachelor's degree in mathematical statistics, respectively.

Mr. Qin joined COAMI in April 2018, and currently serves as the chief risk officer of the company. Mr. Qin has been a director, deputy general manager and member of the investment committee of Dongfu (Tianjin) Equity Investment Fund Management Co., Ltd.（東富（天津）股權投資基金管理有限公司）from July 2016 to April 2018; senior economist, assistant general manager and deputy general manager of the investment (investment banking) department of China Orient Asset Management Co., Ltd. from January 2012 to July 2016; deputy manager, manager, senior manager and senior economist of the market development department of China Orient Asset Management Co., Ltd. from July 2006 to December 2011; and senior director, assistant manager and deputy manager of the Taiyuan Office of China Orient Asset Management Co., Ltd. from October 2000 to July 2006. From June 1995 to October 2000, he worked at Shanxi Branch of Bank of China.

Mr. Zhang Huagang ("Mr. Zhang"), aged 56, has been an executive Director of the Company since 13 April 2017 and the chief executive officer of the Company since 30 September 2017. Mr. Zhang graduated from Huazhong University of Science and Technology with a bachelor's degree in industrial automation in 1982 and obtained a master in business administration degree from the School of Management of State University of New York at Buffalo in 1989.

Mr. Zhang has been a director of Shenzhen Qianhai CORC Asset Management Corporation（深圳前海東方瑞宸基金管理有限公司）("**CORC Fund**") and the general manager of CORC Health & Technology Management Co., Ltd.（東方瑞宸健康科技管理有限公司）("**CORC Health**") since May 2017. COAMI indirectly holds 40% of the shares of CORC Fund, and CORC Fund holds 51% of the shares of CORC Health. Mr. Zhang has been the chief executive officer of Beijing Zhongtianyixin Corporate Management Services Limited（北京中天頤信企業管理服務有限公司）and the chairman of Beijing Kangyi Health Management Limited（北京康頤健康管理有限公司）since May 2016. Mr. Zhang was the chief executive officer of China Tide Holdings Company Limited （中國天地控股有限公司）from August 2010 to April 2016. Mr. Zhang also held the positions of the assistant of the general manager, executive deputy general manager and president of Gemdale Corporation（金地（集團）股份有限公司）during the period from May 1993 to July 2010 and the sales manager, executive officer and deputy chief economist of Shenzhen SegBaohua Electronics Company Limited（深圳賽格寶華電子股份有限公司）during the period from May 1989 to April 1993.

Mr. Tang Jian ("Mr. Tang"), aged 42, has been an executive Director of the Company since 13 October 2017 and the senior vice president of the Company since 30 September 2017. Mr. Tang obtained a bachelor's degree from the Shanghai University of Finance and Economics specializing in finance in 1999.

Mr. Tang has been working with the Company since 2003. Mr. Tang was an executive Director of the Company from May 2003 to May 2015, the authorised representative of the Company from June 2003 to May 2015 and the chief executive officer of the Company from June 2015 to September 2017. Mr. Tang was the general manager of the Hong Kong region of the Group during the period from May 2003 to March 2011 and his principal duties were corporate governance, financing arrangement and public relations management. From April 2011 to March 2013 and from April 2013 to June 2015, he was the general manager of investment and development department and real property financing department of the Group and his primarily duties were strategic investment decisions and property development financing arrangement. Mr. Tang also serves as director of various subsidiaries of the Company, including Long Profit Group Limited, Richtex Holdings Limited, Ample Century Limited, Best East Developments Limited, Myway Developments Limited, Auto Win Investments Limited, Shanghai Zendai Real Estate Co., Ltd.（上海証大置業有限公司）and Shanghai Zendai Delta Land Company Limited（上海証大三角洲置業有限公司）. Prior to joining the Company, Mr. Tang worked for Bank of Shanghai and companies which were engaged in securities investment business.

B. NON-EXECUTIVE DIRECTORS

Ms. Wang Zheng ("Ms. Wang"), aged 47, has been a non-executive Director of the Company since 13 October 2017. Ms. Wang graduated from Beijing Institute of Fashion Technology in 1993 with a bachelor's degree in engineering.

Ms. Wang joined 冉盛置業發展有限公司 in June 2015, and currently serves as an executive director. Ms. Wang has 21 years of experience in real estate industry. Prior to this, Ms. Wang served as the vice general manager and the general manager of the Real Estate Business Department of China Energy and Fuel Company Limited (中能源電力燃料有限公司), and the vice general manager and the investment director of Sanjiu Pan-China Construction & Development Co., Ltd. (三九泛華建設開發有限公司).

Mr. Gong Ping ("Mr. Gong"), aged 44, has been a non-executive director since 11 January 2013. Mr. Gong graduated from Fudan University in 1998 with a bachelor's degree in international finance, and then obtained his master's degree in finance from Fudan University in 2005. Mr. Gong also received his MBA degree from International Institute for Management Development (IMD) in Lausanne, Switzerland in 2008.

Mr. Gong joined Fosun in 2011, as at the end of the Reporting Period, he has served as executive director and senior vice president of Fosun International Limited, he has also been CEO of Fosun Hive Holdings, the chairman of Paris Realty Fund SA (listed on the Euronext Paris with stock code PAR), the vice chairman of Shanghai Yuyuan Tourist Mart Co., Ltd. (listed on the SSE with stock code 600655), a director of Shanghai Resource Property Consulting Co., Ltd. (listed on the NEEQ with stock code 833517), as well as director of various companies within Fosun. As at the end of the Reporting Period, Mr. Gong has been a council member of Shanghai Association For Youth Entrepreneurship And Employment. He used to serve as senior assistant to president of Fosun, and general manager of Corporate Development Department. Prior to joining Fosun, Mr. Gong worked at Pudong branch and the headquarters of Bank of Shanghai as well as the PRC headquarters of Standard Chartered Bank. Mr. Gong also served as global strategist at the headquarters of Samsung Group in Korea, carrying out special assignments across various sectors including financial services, technology and real estate worldwide.

Ms. Jiang Zhengyan ("Ms. Jiang"), aged 36, has been a non-executive Director of the Company since 13 April 2017. Ms. Jiang graduated from Shanghai University of Finance and Economics with a bachelor's degree in management science in 2005 and obtained a master's degree in economics from Shanghai University of Finance and Economics in 2007.

Ms. Jiang joined the Fosun Group in October 2012 and currently act as managing director in the securities investment department of Fosun Property of Fosun Group. Before that, Ms. Jiang acted as a senior analyst in Shenyin Wanguo Securities Research Institute from July 2007 to February 2011 and acted as a senior analyst in Shanghai Metal Investment Co., Ltd. from March 2011 to September 2011.

C. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow, Alexander Yue Nong ("Mr. Chow"), aged 68, has been an independent non-executive director since 30 June 2015. Mr. Chow is also a member of the nomination committee and audit committee and the chairman of the remuneration committee of the Board. Mr. Chow received a bachelor of arts degree in Computer Science and an M.B.A. degree from the University of California, Berkeley in 1973 and 1975 respectively.

Mr. Chow is the Managing Director of IST Services Limited. He has also been a committee member of the Chinese General Chamber of Commerce since 1980. Mr. Chow was the President of ACB International Inc. (a joint venture of China National Export Bases Development Corporation, Bank of China, A Robert Abboud & Company of United States and Hong Kong United General Company Limited), Assistant Vice President and Head of China Group of The First National Bank of Chicago, advisor to Bank of Tokyo Ltd., and consultant to Overseas Chinese Investment Company of the Zhejiang Province (浙江省華僑投資公司). Mr. Chow also lead the establishment of CCIC Finance Limited, a joint venture of Bank of China, The First National Bank of Chicago, The Industrial Bank of Japan and China Resources Company (華潤公司). Mr. Chow has business relationship with various multinationals for many years. Mr. Chow has been appointed as an independent non-executive director of Tsit Wing International Holdings Limited (stock code: 2119) on 15 December 2017.

Dr. Xu Changsheng ("Dr. Xu"), aged 55, has been an independent non-executive director since 30 June 2015. Dr. Xu graduated from the Economics Department of Nanjing University in 1984 with a Bachelor degree in Economics. He graduated from the Economics School of Wuhan University with a master's degree and a PhD degree in economics in 1987 and 1992 respectively. Dr. Xu has been working at the School of Economics of Huazhong University of Science and Technology since 1987, serving as a professor since 1997, a PhD supervisor since 1999, the Deputy Dean from 1994 to 1999 and the Dean from 2000 to 2014.

Mr. Ng Man Kung ("Mr. Ng"), aged 67, has been an independent non-executive Director of the Company, a member of the nomination committee, a member of the remuneration committee and a member of the audit committee of the Board since 25 May 2017. Mr. Ng graduated from Hong Kong Polytechnic University with an attendance certificate in banking.

Mr. Ng has been senior management in banking industry of Hong Kong for 28 years. He was appointed as the managing director and general manager of Chiyu Banking Corporation Limited in 1992 and the vice-chairman and chief executive of Chiyu Banking Corporation Limited in 2001. He retired from Chiyu Banking Corporation Limited in 2012. Mr. Ng was a member of the council of the Hong Kong Polytechnic University from 1999 to 2003 and was a member of Fujian Provincial Committee of the Chinese People's Political Consultative Conference from 1993 to 2013. Mr. Ng was served as a business consultant of COAMI from January 2014 to April 2015, and a non-executive director of Roma Group Limited (stock code: 8072 – GEM) from 24 August 2017 to 18 December 2017. Since 31 March 2018, Mr. Ng served as the Chairman of the Supervisory Board of Well Link Bank in Macau.

Currently, Mr. Ng serves as an independent non-executive director of the following companies: Fujian Holdings Limited (stock code: 181) since 30 June 2014; ELL Environmental Holdings Limited (stock code: 1395) since 5 September 2014; Guoan International Limited (Stock Code: 143) since 11 March 2016 and HKBridge Financial Holdings Limited (stock code: 2323) since 23 March 2016.

Mr. How Sze Ming ("Mr. How"), aged 42, has been an independent non-executive Director of the Company, a member of the remuneration committee and a member and the chairman of the audit committee of the Board since 25 May 2017. Mr. How graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honour, majoring in professional accountancy) in December 1999. By profession, he is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

Mr. How has over 16 years of experience in investment banking and business assurance industries. Mr. How joined Southwest Securities (HK) Capital Limited ("Southwest Securities"), a company principally engaged in investment banking and advisory services, in February 2016 and is currently a managing director and head of corporate finance where he is responsible for corporate finance advisory work. Southwest Securities is an indirect wholly-owned subsidiary of Southwest Securities International Securities Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock Code: 00812). From July 2015 to January 2016, Mr. How was a managing director of Zhaobangji International Capital Limited, a company principally engaged in investment banking and advisory services, where he is responsible for corporate finance advisory work. From February 2010 to June 2015, he acted as a managing director of the Investment Banking Department of CMB International Capital Corporation Limited, a company principally engaged in investment banking, securities brokerage and asset management, where he was responsible for corporate finance advisory work. From April 2009 to February 2010, he worked as an assistant vice president in the Investment Banking Division of ICBC International Holding Limited, a company principally engaged in investment banking, where he was responsible for corporate finance advisory work. From June 2006 to March 2009, Mr. How worked as an assistant vice president in the Investment Banking Division of ICEA Capital Limited, a company principally engaged in dealing in securities and corporate finance advisory services, where he was responsible for corporate finance advisory work. From December 2004 to May 2006, he worked as an assistant vice president of CCB International Capital Limited, a company principally engaged in securities advisory, securities dealing and corporate finance advisory, where he was responsible for corporate finance advisory work. From July 2003 to December 2004, Mr. How worked as an assistant manager at Tai Fook Capital Limited (now known as Haitong International Capital Limited), a company principally engaged in corporate finance advisory services, where he was responsible for corporate finance advisory work. From July 2002 to June 2003, he worked as a corporate finance executive of Tai Fook Securities Company Limited (now known as Haitong International Securities Company Limited), a company which was principally engaged in securities broking, securities dealing and leveraged foreign exchange trading, where he was responsible for corporate finance advisory work. From September 1999 to July 2002, Mr. How worked as a senior associate in the Assurance and Business Advisory Department of PricewaterhouseCoopers and was primarily responsible for assurance and business advisory work.

Mr. How was an independent non-executive director of (i) QPL International Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 00243) from September 2013 to September 2016 and (ii) Odella Leather Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (Stock Code: 08093) from January 2015 to March 2017. Mr. How has been an independent non-executive director of (a) World-Link Logistics (Asia) Holding Limited, a company whose shares are listed on Main Board of the Stock Exchange (Stock Code: 06083), since December 2015, (b) Forgame Holdings Limited, a company whose shares are listed on the Main Moard of the Stock Exchange (Stock Code: 484), since January 2016, (c) 1957 & Co. (Hospitality) Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8495) since December 2017 and (d) Watts International Maritime Engineering Ltd., a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 2258), since October 2018.

Dr. Di Ruipeng ("Dr. Di"), aged 54, has been an independent non-executive Director, a member of the nomination committee, a member of the remuneration committee and a member of the audit committee of the Board of the Company since 25 May 2017. Dr. Di graduated from the University of New Orleans in 1997 with a Doctoral of Financial Economics Degree, the Peking University in 1989 with his Master Degree in International Economics and the Peking University in 1986 with a Bachelor of International Economics Degree.

Dr. Di currently serves as independent director of Qinghai Huading Industrial Co., Ltd. (stock code: 600243) which is listed on the main board of Shanghai Stock Exchange, Jiangnan Mould & Plastic Technology Co., Ltd (stock code: 00700) which is listed on the main board of Shenzhen Stock Exchange, Shenzhen Invengo Information Technology Co., Ltd. (stock code: 002161) and Rendong Holdings Co., Ltd (stock code 002647) which are listed on the main board of Shenzhen Stock Exchange. Since 2015, Dr. Di has served as the director of the global executive courses program operated by Tsinghua University School of Economics and Management ("**Tsinghua SEM**"). From 2010 to 2014, he acted as the assistant dean of Tsinghua SEM, deputy director of the EMBA program of Tsinghua University and financial assistant professor of Tsinghua SEM from 2001 to 2010. Particularly in the period from 2006 to 2010, he served as the founder of the international EMBA program of Tsinghua SEM, and the founder of the Chinese EMBA program of the same school from 2001 to 2006.

D. COMPANY SECRETARY

Mr. Wong Ngan Hung ("Mr. Wong"), aged 58, is a member of the Hong Kong Institute of Certified Public Accountants since 1986. He also obtained a master's degree in business administration from University of San Francisco in the United States of America. Mr. Wong has been working with the Company since 2006 and was appointed as the Company Secretary in January 2012 and he was appointed as the authorised representative of the Company for the purposes of the Listing Rules on 13 April 2017.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") have pleasure in presenting their annual report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are principally engaging in property development business, property investments, management and agency services and hotel operations.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2018, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development, a description of the principal risks and uncertainties that the Group may be facing and the particulars of important events affecting the Group that have occurred since the end of the financial year are contained in the sections (which form part of this report) headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

The Company's environmental policies and performances, a discussion on the Company's compliance with the relevant laws and regulations that have a significant impact on the Group and the Company's relationship with its employees, customers and suppliers are contained in the section (which form part of this report) headed "Environmental, Social and Governance Report" in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 90 to 213. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 214.

SHARE CAPITAL

Details of movement in the share capital of the Company during the year 2018 are set out in note 32(a) to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year 2018 are set out in the consolidated statement of changes in equity and note 39(a) to the financial statements respectively.

REPORT OF THE DIRECTORS

CHARITABLE DONATION

Total donations contributed by the Group for charitable and other purposes in year under review amounted to approximately HK$56,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company does not have reserves available for distribution to shareholders as at 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year 2018 are set out in note 16 to the financial statements.

PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

Details of properties under development and for sales of the Group for the year 2018 are set out on pages 6 to 16 of the annual report.

DIRECTORS

The Directors during the year 2018 and up to the date of this report were as follows:

Executive Directors

Mr. Qiu Haibin *(Chairman)*
Mr. Qin Renzhong (appointed on 29 June 2018)
Mr. Zhang Huagang
Mr. Tang Jian
Mr. Wang Quan (resigned on 29 June 2018)

Non-executive Directors

Ms. Wang Zheng
Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

As at 31 December 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are set out below:

Name of Director	Number of Shares/ Underlying Shares	Capacity and nature of interests	Approximate percentage of issued share capital as at 31 December 2018
Mr. Tang Jian	10,000,000(L)	Beneficial owner	0.07%

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 31 December 2018.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules since the date of the 2018 interim report of the Company.

DIRECTORS'SERVICE CONTRACTS AND EMOLUMENTS

No Director retiring and eligible for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' emoluments are determined by mutual agreement and prevailing market practice as well as his contribution to the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of the Directors' and senior management's emoluments are set out in note 40 and 11 to the financial statements. The Group's general policy on remuneration is to maintain fair and competitive packages based on industry practice and market conditions. The following factors are considered when determining the remuneration packages of executive Directors:

- Business needs;
- The Group's results and performance;
- Appraisal of individual contributions to results of the Group;
- Changes in market conditions such as demand and supply.

Furthermore, the Company has adopted a share option scheme as a long term incentive scheme to all eligible staff of the Group.

PERMITTED INDEMNITY AND DIRECTORS' LIABILITY INSURANCE

Pursuant to the bye-laws of the Company and subject to the provisions of the Companies Act 1981 of Bermuda, the Directors, company secretary and other officers and every auditor of the Company shall, among other things, be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respectively offices or trusts, provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud, or dishonesty which may attach to any of said persons.

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers. The scope of coverage of the insurance is subject to review annually.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 2018.

SHARE OPTIONS

Details of the share option scheme adopted by the Company are set out in note 32(b) to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of Options			
	Outstanding at beginning of year	Lapsed during the year	Outstanding at end of year	Exercisable period
Directors	62,000,000	(62,000,000)	–	26 October 2015 – 25 October 2018
	31,000,000	(31,000,000)	–	26 October 2016 – 25 October 2018
	31,000,000	(31,000,000)	–	26 October 2017 – 25 October 2018
Sub-Total	124,000,000	(124,000,000)	–	
Employees	435,000,000	(435,000,000)	–	26 October 2015 – 25 October 2018
	217,500,000	(217,500,000)	–	26 October 2016 – 25 October 2018
	217,500,000	(217,500,000)	–	26 October 2017 – 25 October 2018
Sub-Total	870,000,000	(870,000,000)	–	
Service suppliers	124,000,000	(124,000,000)	–	26 October 2015 – 25 October 2018
	62,000,000	(62,000,000)	–	26 October 2016 – 25 October 2018
	62,000,000	(62,000,000)	–	26 October 2017 – 25 October 2018
Sub-Total	248,000,000	(248,000,000)	–	
Total	1,242,000,000	(1,242,000,000)	–	

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 32(b) to the financial statements, at no time during the year 2018 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the related party transactions set out in note 35 to the financial statements, no contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a Director or an entity connected with a director had a material interest or to which a controlling shareholder of the Company or any of its subsidiaries is a party, whether directly or indirectly, subsisted at the end of the year 2018 or any time during the year 2018.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year 2018, the Group entered into certain related party transactions which may also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of these transactions are set out below and in note 35 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2018, none of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company and/or its subsidiaries and which is required to be disclosed pursuant to the Listing Rules.

PERSONS HAVING 5% OR MORE INTERESTS

As at 31 December 2018, the interests or short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Nature of interests	Number of shares interested as at 31 December 2018	Approximate percentage of the issued share capital as at 31 December 2018
Nantong Sanjian Holding (HK) Co., Limited *(Note 1)*	Beneficial owner	4,462,317,519 (L)	29.99%
Nantong Sanjian Holdings Co., Ltd.* （南通三建控股有限公司）*(Note 1)*	Interest in controlled corporation	4,462,317,519 (L)	29.99%
Smart Success Capital Ltd. *(Note 2)*	Beneficial owner	2,703,248,481 (L)	18.17%
Cheer Link Global Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
COS Greater China Special Situations Fund, L.P. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital SSF GP Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Summit Capital International Co. Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Orient Asset Management (International) Holding Limited ("COAMI") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Wise Leader Assets Ltd. *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
Dong Yin Development (Holdings) Limited *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%

Name	Nature of interests	Number of shares interested as at 31 December 2018	Approximate percentage of the issued share capital as at 31 December 2018
China Orient Asset Management Co., Ltd. ("COAMC") *(Note 2)*	Interest in controlled corporation	2,703,248,481 (L)	18.17%
China Alliance Properties Limited *(Note 3)*	Beneficial owner	2,255,335,000 (L)	15.16%
Shanghai Forte Land Co., Ltd *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Shanghai Fosun High Technology (Group) Company Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun Holdings Limited *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Fosun International Holdings Ltd. *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%
Guo Guangchang *(Note 3)*	Interest in controlled corporation	2,255,335,000 (L)	15.16%

(L) denotes long position

Notes:

1. Nantong Sanjian Holding (HK) Co., Limited was 100% controlled by Nantong Sanjian Holdings Co., Ltd.* （南通三建控股有限公司）.

2. COAMC had 100% control of Dong Yin Development (Holdings) Limited, which in turn had 100% control of Wise Leader Assets Ltd.; Wise Leader Assets Ltd. and Dong Yin Development (Holdings) Limited each had 50% control of COAMI; COAMI had 40% control of China Orient Summit Capital International Co. Ltd., which in turn had 100% control of China Orient Summit Capital SSF GP Co. Ltd. China Orient Summit Capital SSF GP Co. Ltd. was the only general partner of COS Greater China Special Situations Fund, L.P. COS Greater China Special Situations Fund L.P. had 100% control of Cheer Link Global Ltd., which in turn had 100% control of the Smart Success Capital Ltd.

3. Mr. Guo Guangchang had 85.29% control of Fosun International Holdings Ltd., which had 100% control of Fosun Holdings Limited, which had 70.72% control of Fosun International Limited, which had 100% control of Shanghai Fosun High Technology (Group) Co., Ltd., which had 100% control of Shanghai Forte Land Co., Ltd., which has 100% control of China Alliance Properties Limited.

Save as disclosed above, as at 31 December 2018, no persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of Bermuda.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year 2018, the Group's sales to the five largest customers accounted for 3% of the Group's turnover for the year, of which the largest customer accounted for 2% of the Group's turnover for the year. During the year 2018, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 16% and 44% respectively, of the Group's total purchases for the year. None of the Directors, their associates or any shareholders of the Company which to the knowledge of the Directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive Directors to be independent.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to review of the effectiveness of the system of internal control in respect of, among other things, compliance controls function of the Group. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group that was in place throughout the year and up to the date of this report, is adequate to meet the needs of the Group in its current business.

AUDITOR

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

SUFFICIENCY OF THE PUBLIC FLOAT

Based on information that in publicly available to the Company and within the knowledge of the Directors as at 28 March 2019, being the latest practicable date prior to the issue of this report, there was sufficient public float for the Shares.

On behalf of the Board
Qiu Haibin
Chairman of the Board of Directors
28 March 2019

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The board of Directors (the"Board") will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective Board to optimise return for shareholders.

The Company has applied the corporate governance code as set out in Appendix 14 to the Listing Rules as amended and revised from time to time (the"CG Code"). For the year under review, the Company has complied with the CG Code, except for the deviation as disclosed in this report.

DEVIATION FROM CG CODE

Under the code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings of the Company. Due to personal commitments, the following Directors did not attend the following general meeting:

Ms. Wang Zheng, Mr. Gong Ping, Ms. Jiang Zhengyan, Dr. Xu Changsheng and Dr. Di Ruipeng did not attend the annual general meeting of the Company held on 28 June 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors had complied with the required standard set out in the Model Code during the year ended 31 December 2018.

The composition of the Board for the year ended 31 December 2018 was as follows:

Executive Directors

Mr. Qiu Haibin *(Chairman)*
Mr. Qin Renzhong (appointed on 29 June 2018)
Mr. Zhang Huagang
Mr. Tang Jian
Mr. Wang Quan (resigned on 29 June 2018)

Non-executive Directors

Ms. Wang Zheng
Mr. Gong Ping
Ms. Jiang Zhengyan

Independent non-executive Directors

Mr. Chow Alexander Yue Nong
Dr. Xu Changsheng
Mr. Ng Man Kung
Mr. How Sze Ming
Dr. Di Ruipeng

The term of appointment of non-executive Directors is 2 years.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board is responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations;
- to review and monitor the training and continuous professional development of the directors and senior management;
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group; and
- to review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

	Number of meetings attended/ total number of meetings				
Name of directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Mr. Qiu Haibin *(Chairman)*	8/8	0/1	1/1	–	0/1
Mr. Qin Renzhong *(Note 1)*	1/3	–	–	–	–
Mr. Wang Quan *(Note 2)*	0/5	–	–	–	0/1
Mr. Zhang Huagang *(Chief Executive Officer)*	8/8	–	–	–	1/1
Mr. Tang Jian *(Senior Vice President)*	8/8	–	–	–	1/1
Ms. Wang Zheng	1/8	–	–	–	0/1

	Number of meetings attended/ total number of meetings				
Name of directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting
Mr. Gong Ping	1/8	–	–	–	0/1
Ms. Jiang Zhengyan	7/8	–	–	–	0/1
Mr. Chow Alexander Yue Nong	7/8	1/1	1/1	2/2	1/1
Dr. Xu Changsheng	8/8	–	–	–	0/1
Mr. Ng Man Kung	8/8	1/1	1/1	2/2	1/1
Mr. How Sze Ming	6/8	1/1	–	2/2	1/1
Dr. Di Ruipeng	5/8	1/1	1/1	2/2	0/1

Note 1: appointed on 29 June 2018
Note 2: resigned on 29 June 2018

The Board was responsible for making overall strategic decisions, financial matters and equity related transactions such as acquisitions. The management will handle and execute the decisions made by the Board and oversee the day-to-day management of the Group under the supervision of the chief executive officer of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Qiu Haibin and the chief executive officer of the Company is Mr. Zhang Huagang. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual. The chairman was responsible for overseeing the management of the Board whereas the chief executive officer was responsible for overseeing the day-to-day management of the Group's business and the implementation of the policies decided by the Board.

DIRECTORS' TRAINING

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, the Directors and senior management staff attended various training in the form of seminar and reading materials. According to the records provided by the Directors, they received relevant training in 2018.

REMUNERATION COMMITTEE

Members of the Remuneration Committee are as follows:

Independent non-executive Directors:	Mr. Chow Alexander Yue Nong *(Chairman)* Mr. Ng Man Kung Mr. How Sze Ming Dr. Di Ruipeng
Executive Directors:	Mr. Qiu Haibin

The Remuneration Committee is responsible for making recommendations on the Company's policy and structure on the remuneration of all Directors and senior management of the Company for approval by the Board, assessing performance of executive Directors and approving the terms of executive Directors' service contracts. During the year, the Remuneration Committee met for one time to discuss and review, inter alia, the remuneration policy for Directors and senior management of the Company, to make the recommendations for the directors and senior management's remuneration. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

NOMINATION COMMITTEE

Members of the Nomination Committee are as follows:

Independent non-executive Directors:	Mr. Chow Alexander Yue Nong Mr. Ng Man Kung Dr. Di Ruipeng
Executive Directors:	Mr. Qiu Haibin *(Chairman)*

The Nomination Committee was established in March 2012 with specific terms of reference in accordance with the CG Code. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. The Nomination Committee is also responsible for reviewing the board diversity policy (the "Board Diversity Policy") of the Company regularly (including any measurable objectives that the Board has set for implementing the Board Diversity Policy and the progress on achieving those objectives). The Board Diversity Policy sets out a clear objective and provides that the Company should endeavour to ensure that its Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. During the year under review, one meeting was held to make recommendation to the board of directors of the Company. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS".

In order to achieve the purpose of the diversity of the Board, the Nomination Committee has following selection criteria for Directors:

– to select candidates with objective criteria, taking into account comprehensive factors like the gender, age, culture, educational background as well as professional experience of the Board members;

– to select candidates for Directors according to the business characteristics and future development needs of the Company.

During the reporting period, members of the Nomination Committee had studied the nomination standards and procedures for the Directors and senior management of the Company.

AUDIT COMMITTEE

Members of the Audit Committee are as follows:

Independent non-executive Directors:	Mr. How Sze Ming *(Chairman)*
	Mr. Chow Alexander Yue Nong
	Mr. Ng Man Kung
	Dr. Di Ruipeng

The Audit Committee's duties were, among others, to review adequacy of the Company's policies and procedures regarding internal controls and risk management systems, to review the relationship between the Company and its auditors and to review the Group's financial statements. During the year ended 31 December 2018, the Audit Committee held two meetings. The attendance records of each Director are set out in the section "ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS". During the aforesaid meetings, members of the Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2017 and for the six months ended 30 June 2018 and the accounting principles and practices adopted by the Group. The Audit Committee has reviewed the auditor's independence and objectivity and the effectiveness of the auditor's audit process. The Audit Committee also conducted its annual review of the adequacy and effectiveness of the Company's risk management and internal control systems and external audit and internal audit function. The Company's annual results for the year ended 31 December 2018 has been reviewed by the audit committee of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for evaluating and determining nature and extent of risks it is willing to take in achieving the strategic objectives; ensuring establishment and maintenance of effective risk management and internal control systems; and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

Risk Management

Main Features of the Risk Management System

The risk management system of the Group consists of the following elements: strategy, risk governance structure, roles and responsibility of each level of management, policy and procedures and risk management process.

The roles and responsibilities of all level of management in the risk governance structure

The Board:
- Ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and review their effectiveness at least once a year; Oversee management in the design, implementation and monitoring of the risk management and internal control systems.

Risk management Team:
- The Risk Management Team facilitates and supports business units in carrying out risk management procedures;
- Periodically reports to the Board for the risk assessment result;
- Provide recommendations to enhance the control measure to mitigate the key risks;
- Promote the risk management culture.

Business Unit/functional management:
- Identify, evaluate and manage the risks that may potentially impact the major processes of the operations;
- Monitor risks and take measures to mitigate risks.

Process Used to Identify, Evaluate and Manage Significant Risks

A robust risk management process is developed to identify, evaluate and manage significant risks. The risk management procedures include the following 4 steps:

Step 1: Project mobilization – Form a project team and kick off the project.

Step 2: Risk identification – Identify the risks on the Company level and its subsidiaries level.

Step 3: Risk analysis – Analyze the identified risks from two dimensions: potential impact and likelihood of occurrence; prioritize key risks and confirm top risks. Select an appropriate risk strategy for the identified risks and develop the relevant risk measures to mitigate the key risks.

Step 4: Risk reporting – Consolidate the results from the risk assessment; establish detailed action plan and report to the Risk Management Team and the Audit Committee.

INTERNAL CONTROL

Main Features of the Internal Control System

The Group has established internal control system which is referencing with Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework. Our internal control system consisted of 17 principles and 5 elements, e.g. control environment, risk assessment, control activities, information and communication, and monitoring.

Internal Audit Department

The Group established internal audit department. The internal audit department conducts audits in accordance with a risk-based annual audit plan. The internal audit reports, along with the key audit findings prepared by the internal audit department, were reported to the Audit Committee and the Board on a regular basis. Management are obligated to address internal control deficiencies and the relevant recommendations proposed by the internal audit department in a timely manner to enhance the Group’s internal control system.

Inside Information

The Group has its internal procedures in place for the handling of inside information in accordance with the Listing Rules as follows:

(1) Designated officers and employees of the Group are responsible for monitoring business developments and events of the Group to ensure that any potential inside information is promptly identified.

(2) If potential inside information is identified, it is reported to the company secretary of the Company who will then consider, following consultation with external financial or legal adviser if necessary or appropriate, whether the relevant information should be treated as inside information and whether an announcement is required or, where necessary, refer the matter to the Board for its decision.

(3) Record of any meeting and discussion concerning the evaluation of whether certain information constitutes inside information or not will be maintained.

(4) Relevant team members are frequently reminded of the need to preserve confidentiality before inside information is disclosed publicly and to ensure that appropriate non-disclosure agreements are put in place before the Group enters into significant negotiations.

(5) If certain information is determined to be inside information, it will first be disclosed by way of an announcement on the website of the Stock Exchange before it is released in other channels.

Reviews on Risk Management and Internal Control Systems

The Board, through the Audit Committee, has annually reviewed the effectiveness of the Group's risk management and internal control systems by conducting a series of reviews, including annual risk assessment conducted by third party consultant, management's assessment over internal control system and the internal audits conducted by internal audit department. The Board therefore considers that the Group's risk management and internal control systems are effective as at 31 December 2018, despite of identifying areas for improvement.

The board has also reviewed the adequacy of resources, including staff qualifications and experience, training programmes and budget of its accounting, internal audit and financial reporting functions, and are satisfied with the results.

DIRECTORS'RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group contained herein. The reporting responsibilities of PricewaterhouseCoopers, the auditor of the Company, are stated in the auditor's report on pages 84 to 89 of this report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

AUDITOR'S REMUNERATION

As regards annual audit service provided to the Company, the remuneration of HK$2,080,000 made to the auditors was assessed according to the complexity, time required and prevailing market conditions. During the year ended 31 December 2018, the Group had engaged its auditor to provide services to the Company in respect of the interim review of the Company's results for the 6 months ended 30 June 2018. The fee paid for such service was HK$800,000. The auditor also provided other services mainly in relation to the Company's internal audit consultant services and subsidiaries' reporting services. The fees for these services were HK$1,005,000.

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any given year.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman of the Board and is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company shall, for the purpose to keep its shareholders duly informed of their rights, publish from time to time the updated bye-laws of the Company in a consolidated form on the Company's website and the Stock Exchange's website.

The Group establishes communications with shareholders through the publication of announcements, notices, and circulars, interim and annual reports and in the Company's website.

According to the bye-laws of the Company, shareholders, holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company, can by written requisition to the Board or the Company Secretary (see below for contact details) to request to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 clear days' notice, whilst others may be called by not less than 14 clear days' notice. The chairman of any general meetings ensures that the shareholders are informed of the procedure for demanding a poll by way of explaining the same during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the bye-laws of the Company.

Shareholders may put forward proposals to be considered at general meetings of the Company by convening a special general meeting under the procedure set out above.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which Board members and Board committees are available to answer questions related to the Group's business.

Shareholders, investors and the media can make enquiries to the Board through the following means:

Telephone number:	+852-38977778
By post:	Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Attention:	Company Secretary
By email:	nhwong@zendaiproperty.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

TABLE OF CONTENTS PAGE

I. FOREWORD

Shanghai Zendai Property Limited is a famous enterprise in the real estate industry in the People's Republic of China (the "PRC"), which is principally engaged in the development of residential and commercial properties in Shanghai. Shanghai Zendai Property Limited (the "Company" and its subsidiaries, collectively the "Group") proactively fulfills its environmental and social responsibilities.

The Group pays great efforts in environmental protection and social responsibility. The Group has much confidence in and is committed to becoming an environmental-friendly and reliable enterprise in terms of sustainable development. In this regard, the Group never stops seeking new business model and way of operation to address the challenges relating to the global climate change.

The Group is honored to present the environmental, social and governance report (the "ESG Report") to give a picture of the measures taken for sustainable development and the Group's performance in the financial year of 2018 (as at 31 December 2018, the "FY2018"). The ESG report is prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. For the purpose to present an environmental, social and governance report of international recognition, references are made to the Recommendations of the Task Force on Climate-related Financial Disclosures, therefore making the report more complete, internationally compatible and comparable with peers.

II. BOARD ENGAGEMENT

The Group has put in place internal policies to create sustainable value for stakeholders and minimize the negative impact on environment. In order to consistently implement the sustainable development strategy from top to bottom, the Board ensures the efficiency of the environmental, social and governance policies as published by the Group and is fully liable therefor.

In order to thoroughly implement the sustainable development strategy, the Group has set up a professional team for management of environmental, social and governance ("ESG") matters. The Group has established the strategy for sustainable development to create sustainable value and continuously lower the effects of the Group on environment. Designated employees are assigned to enforce and supervise the implementation of relevant policies.

With foresighted strategy and well-designed action plan to address the potential ESG issues, the management and responsible team are also committed to making on-going review and adjustment of the Group's sustainable development strategy to meet the ever-changing needs of its stakeholders. By establishing the liability retroact system, the Group is committed to improving the performance of its ESG management, while maintaining its industrial competitiveness.

OUR SUSTAINABLE DEVELOPMENT GOVERNANCE STRUCTURE

Top-down: Decision-making and leadership

BOARD

- Develops and initiates sustainable development strategies and guidelines;
- Identifies the potential risks in roadmap of business development.

MANAGEMENT

- Steers, supervises and monitors the implementation of sustainable development practices;
- Assesses and manages the risks during operations.

FUNCTIONAL DEPARTMENTS

- Executes the policies at different stages of operations;
- Eliminates, abates and controls the risks..

Down-top: Experience and feedback

III. THE PERIOD COVERED BY THE REPORT AND THE REPORT'S CONTENT

The scope of operations covered by the Report includes the Group's property development business, property management business, hotel operations and head office in Hong Kong. The period covered by the Report is the FY2018 from 1 January 2018 to 31 December 2018. The report is prepared in both Chinese and English and will be published together with the annual report on the website of the Group www.zendaiproperty.com.

IV. STAKEHOLDER ENGAGEMENT

Effective communication with internal and external stakeholders is deemed critical to the Group, through which, the Group is able to not only pass on its determination to create long-term value for its stakeholders, but also better understand the topics of its stakeholders' concern. The Group is committed to reviewing and adjusting its sustainable development policies on a regular basis to satisfy the ever-changing needs of its stakeholders.

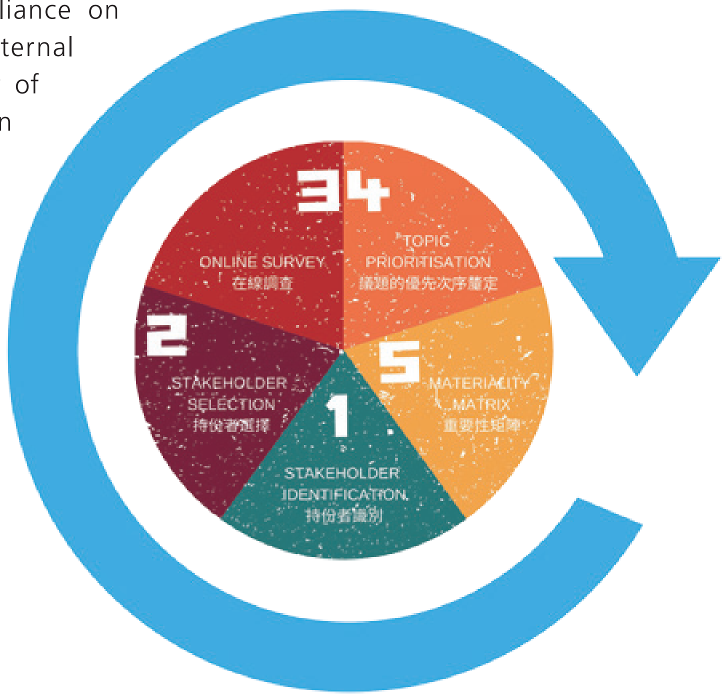
In order to enhance its sustainable development measures and performance as well as to increase the stakeholders' ESG and sustainable development awareness, the Group made great efforts in engaging both internal and external stakeholders. To realize the Group's objectives in terms of sustainable development and results, the Group highly values the opinions from internal and external stakeholders. While proactively collecting feedback from stakeholders, the Group has established and maintained mutual trust and support with stakeholders. The contact between the Group and stakeholders is achieved through the communication channels as set out in the table below.

Category of Stakeholders	Expectations and Care	Communication Channels
Governments and Management Authorities	– Compliance with laws and regulations – Support for economic development – Taxation	– Compliance with local laws and regulations – Payment report and tax
Shareholders	– Return on investment – Corporate governance – Business compliance	– Corporate reports and announcements – General Meetings – Official Website
Employees	– Compensation and benefits for employees – Occupational development – Healthy and safe working environment	– Assessment of employee performance – Meetings and trainings – Email, notice to the Board, hotline, care management campaigns
Customers	– High quality products and services – Guarantee customers' rights	– Customer satisfaction survey – Face-to-face meetings and field interviews – Customer service hotline and email

Category of Stakeholders	Expectations and Care	Communication Channels
Suppliers	– Fair and public purchase – Win-win cooperation	– Public bid – Satisfaction evaluation of supporters – Face-to-face meetings and field interviews – Industry seminars
Public	– Engagement in community – Business compliance – Awareness of environmental protection	– Media conference and response to query – Public welfare campaigns – Face-to-face interviews

Materiality Assessment

As the Group's ESG risks vary on different sectors and dependent on the specific business models adopted by the Company, the Group conducts annual survey with stakeholders' engagement to identify and understand stakeholders' major concerns about and materials interests in the Group's ESG Report. In FY2018, the Group entrusted a third party to conduct the survey of materiality assessment with stakeholders' engagement, which ensures the accuracy and independency of the survey. Based on stakeholders' influence and reliance on the Group, the Group chooses internal and external stakeholders for survey of materiality assessment. The chosen stakeholders express opinions and propose concerns on sustainable development by way of online survey. Through the survey, the Group selects topics on sustainability of vital importance to stakeholders and the Group. The survey results of materiality assessment are shown in the figure below.



The Group has built a significance analysis matrix and sorted 29 topics on sustainable development accordingly. For the purpose of the report, the Group considers prevention of bribery, extortion, fraud and money laundering, anti-corruption policies and whistleblowing procedures, emissions of air pollutants and greenhouse gases, occupational health and safety as topics of vital importance to its stakeholders and the Group. The survey facilitates the Group to prioritize the topics in relation to its sustainable development and elaborate the same herein, to meet the expectations of stakeholders. In addition, the Group also made a survey of the views of its stakeholders on the United Nations Sustainable Development Goals, based on which, the Group sets the direction for its future ESG work. On the basis of the survey, the Group identified that Goal 7 (affordable and clean energy) are the sustainable development goals about which it stakeholders are most concerned in FY2018.

7 AFFORDABLE AND CLEAN ENERGY

Energy is a common concern of the world and is at the heart of almost all major challenges and opportunities. To build a more sustainable and inclusive community and enhance its ability to deal with environmental problems such as climate change, it is particularly important to take advantage of the new economic and employment opportunities while focusing on energy availability, improving energy efficiency and increasing the use of renewable energies. We need to obtain more clean energies and develop relevant technologies, and maintain our efforts to incorporate renewable energies into the end applications of construction, transportation and industry.

Measures taken by the Group: use clean energies to power the vehicles and equipment in the process of property development and management, and reduce the consumption of energy.

Feedback from Stakeholders

The Group is in continuous pursuit of excellence and readers are welcome to share your valuable opinions with the Group on the Group's official website http://www.zendaiproperty.com.

V. ENVIRONMENTAL

As a famous property development and management company in China, the Group is well aware of the impact of its environmental performance on the public. In FY2018, the Group strictly complied with relevant environmental laws and regulations of the PRC including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the Law of the PRC on Water Pollution Prevention and Control (《中華人民共和國水污染防治法》), and the Law of the PRC on Prevention and Control of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》).

The section mainly discloses the Group's emissions in FY2018 as well as policies and practices in relation to use of resources and environment and natural resources.

1. Emissions

In FY2018, the Group is not aware of any violation of the laws and regulations relating to, among others, emissions of waste and greenhouse gases, water and land contamination, and discharge of hazardous and non-hazardous wastes which would have great influence on the Group. The environmental policy of the Group includes control of the Group's energy consumption and use of more environment friendly clean energy to reduce the impact of the Group's emission on the environment.

In FY2018, the Group's aggregate emissions of waste gases were 1.5kg sulfur oxides ("SOx") and 31.9kg nitrogen oxides ("NOx"). The Group's total emission of greenhouse gases was 29,186.7t CO_2e with the intensity of 24.2t CO_2e per person. Thanks to our vigorous enforcement of the energy-conservation polices within the Group, the air and greenhouse gas emissions of the Group decreased from the previous year.

The Group did not generate any hazardous waste and only generated 313,341 m^3 non-hazardous waste water and 18,320t non-hazardous solid wastes The intensity of wastes was 260.0 m^3 waste water per person and 15.2t solid wastes per person, respectively. Table 1 summarizes the Group's total emissions in the FY2018.

Property Development Business

The emissions of this business mainly include production waste water, construction waste, solid dust and noise. Apart from that, there are no other poisonous and hazardous gases.

Waste Gases

The waste gases from the business are mainly from the energy consumption by the automobile used in daily operation. Gasoline is used as the power source of automobiles. The waste gases generated mainly include, among others, sulfur oxides and nitrogen oxides. In order to reduce emission of waste gases, it is encouraged at the Group to use liquefied natural gas as the power source of automobiles. This initiative significantly reduces the emission of waste gases. Liquefied natural gas will be further promoted at the Group to replace gasoline and diesel to reduce waste gas emission. Furthermore, the Group makes regular maintenance of equipments to prevent any gas leakage. For details of the waste gas emissions, please refer to Table 1.

Greenhouse Gases

Greenhouse gases are mainly from the indirect CO_2 emissions generated by the electricity consumed and the CO_2 emissions generated by automobile exhausts. The Group adopts the concept of energy conservation and emission reduction in operation management of hardware facilities and also calls on all employees to "take the initiative" in energy conservation and emission reduction in daily life, to make contributions to reduction of carbon emission. Details are shown in table 1. As the greenhouse gas emissions are closely related to the use of electricity and energy, the Group has taken electricity and energy conservation measures to reduce the electricity use in its daily operation, which will be further described in the paragraphs headed "Use of Electricity" and "Use of Energy" respectively under the section titled "Use of Resources".

Waste Water

The Group's waste water is mainly from the domestic waste water generated by our employees in daily operation, the industrial waste water generated in the property development and the waste water generated in the hotel operation. Among them, the domestic waste water is directly discharged into the local sewage treatment plant through the municipal drainage pipelines. The oily waste water from dining rooms shall be subject to removal of oil and residue by filter before discharge into the municipal sewage pipelines. The industrial sewage generated from construction is precipitated in sedimentation basin before recycling. In order to prevent discharge of muddy water out of construction site, a muddy water treatment device is established in the discharge system to reduce discharge of muddy water. To save water, the Group has taken water-saving measures to reduce the discharge of waste water, details of which will be described in the paragraph headed "Use of Water" under the section titled "Use of Resources".

Solid Wastes

The solid wastes generated by the Group include the non-hazardous solid wastes generated in its operation and the domestic solid wastes generated by its employees in its daily life. The office and domestic solid wastes generated by employees are put into the waste bins placed by local government, which will be collected and treated by the environmental sanitation department of the government. The Group has set discharge-reduction objectives for its logistics operation and adopted garbage classification practices in its daily operation to recycle the recyclable solid wastes on a regular basis.

Dust and Noise

The business generates dust and noise in construction. As the amount of dust generated is beyond measurement, no specific value is provided in the ESG Report. In order to reduce the effects of dust generated in construction on surrounding environment, a series of measures have been taken for the business including establishment of a car wash compartment at the exit to construction site to prevent vehicles taking dust and sludge out of the construction site, installation of pressurized atomization and dust removal devices along the main roads of construction site, erection of enclosure facilities of less than 1.8m surrounding the construction site during construction, use of sealed equipment for transportation of dust, and daily wash of ground or watering, to clean dust and prevent accumulation of sludge. In order to reduce noise generated in construction, for the business, low-noise machinery and equipment or soundproof or sound muffling equipment are used to replace traditional equipment and it is prevented to conduct operations using high-noise equipment at noon and night.

Hotel Operations

The emissions generated by the business are mainly domestic wastewater, domestic waste and air emissions generated in daily operations.

Waste and Greenhouse Gases

The air emissions of the business are mainly from combustion of natural gas in kitchen. The indirect emissions of greenhouse gasses are mainly relating to the use of electricity. Therefore, the air emissions of the business mainly include carbon dioxide and nitrogen oxides.

Waste Water and Waste Oil

The domestic waste water generated by the business is directly discharged into the local sewage treatment plant via the municipal sewage pipes. For the waste oil generated by kitchen, the Group has taken measures for classified storage and entrusted an outsourcing company specialized in treatment of oily wastes for regular collection and treatment.

Solid Wastes

Kitchen garbage and domestic waste generated by customers represent the major solid wastes of the business. Therefore, a garbage chamber is set for the business for classified collection of garbage and a company specialized in garbage treatment is engaged to be responsible for sorting and collection of daily operation garbage of hotels. Meanwhile, a garbage management system is also set up for the business to reduce the generation of garbage and employees are urged to fully utilize resources and reduce waste. In order to minimize the generation of solid wastes, proactive efforts are exerted to recycle recyclable soap, tissues, packaging materials and other consumables, and disposable slippers and disposable bath supplies are no longer provided to customers.

Property Management Business and Office

Waste and Greenhouse Gases

The waste gases discharged by the business are mainly from exhaust generated by use of automobiles in daily operation and mainly include sulfur oxides and nitrogen oxides. The greenhouse gases emissions of the business mainly originate from the indirect carbon dioxide emissions generated by use of electricity and carbon dioxide emissions in automobile exhaust. As the emissions of greenhouse gases are closely related to the use of electricity, the Group has set up electricity saving measures to reduce the use of electricity in daily operations, and given further elaboration in the paragraphs headed "Use of Electricity" and "Use of Energy" under the section titled "Use of Resources".

Waste Water

The domestic waste water generated by employees for the business is delivered to the sewage treatment plant via municipal drainage pipelines. In order to save water, the Group has adopted water saving measures to reduce the discharge of waste water. During the year under review, the Group proactively promoted water-saving practice among the residents within its property management areas to reduce the use of domestic water and hence reduce the discharge of waste water. Detailed introduction is further set out in the paragraph headed "Use of Water" under the section titled "Use of Resources".

Solid Wastes

The solid wastes generated in the business are domestic solid wastes produced by employees in daily life. The treatment method for solid wastes is uniform placement of unrecyclable office and domestic waste produced by employees in the dustbins set by local government and collective collection and treatment by environmental sanitation department of the government. The recyclable garbage will be reused.

Table 1. Total Emissions of the Group in FY2018

Scope	Indicators	Unit	Emission	Intensity (Per person)
waste gas emissions	Sulfur Oxides (SOx)	kg	1.5	–
	Nitrogen Oxides (NOx)	kg	31.9	–
Greenhouse gas emissions	Direct greenhouse gas emissions (scope 1)	tCO_2e	238.4	0.2
	Indirect greenhouse gas emissions generated by energy (scope 2)	tCO_2e	28,771.6	23.9
	Other indirect greenhouse gas emissions (scope 3)	tCO_2e	176.7	0.1
	Total greenhouse gas emissions (scopes 1, 2 and 3)	tCO_2e	29,186.7	24.2
non-hazardous wastes	Waste water	m^3	313,341.0	260.0
	Solid wastes	Tonne	18,320	15.2

2. Use of Resources

The resources used by the Group in FY2018 were mainly electricity, gasoline, natural gas, water and paper as well as hotel daily necessities for hotel operations and building materials for property development, details of which are summarized in table 2. In addition to the above, the Group also uses a small amount of diesel for its emergency generator of the building. As the diesel for standby use was minimal, the Group did not record the date of use amount. With regard to its hotel operations, the environmental protection guidance has been put in place in relation to diet and room, with a view to reduce the consumption of lighting, heating, fuel oil, electricity and water.

Use of Electricity

The total electricity consumption of the Group in FY2018 was 40,011,637.0 kWh with the intensity equivalent to 33,218 kWh per person, which decreased from the previous year. The Group strictly complies with the energy saving policy of the Group and provides regular education on energy conservation and emission reduction for employees. With the decrease in electricity consumption of the Group, the indirect greenhouse gas emissions caused by use of electricity also decreases accordingly.

The Group's power consumption is from the normal operation of offices and construction sites. To ensure effective use of electricity, the Group has adopted the following practices:

- Turn off unused lighting and air conditioning systems;
- Display posters which state "Save electricity, turn off lights before leave" at conspicuous positions;
- Maintain the service temperature of air conditioners at a constant temperature;
- Turn off computers after the end of a workday;
- Use sound-control electric lights in staircases;
- Turn off the photocopiers, facsimile machines, computers and lights by the employee who leaves the office last;

- Replace traditional bulbs with a high power consumption with energy-efficient lights;
- Install light curtains which could maintain the effects of the air-conditioner;
- Display energy-conservation warnings in the hotel lobby and living room;
- Regularly clean office equipment (e.g. refrigerator, air conditioner, paper shredder, etc.) to maintain effective operation;
- Request employees to strictly follow the principle of electricity saving in daily work.

With regard to the property development operations, the Group is committed to good maintenance of equipments to reduce the relevant energy consumption. In addition, with respect to its property management operations, the energy-saving lightings for the garages were renovated during the year under review with a hope to reduce the use of electricity.

Use of Water

There were no issues for the Group in sourcing water. We encourage employees to save water in daily work. In the FY2018, the Group's total water consumption was 524,101 m^3 with the intensity equivalent to 435.0 m^3 per person. In order to enhance the utilization efficiency of water resources, the Group has included the following measures in its internal regulatory policy:

- Display labels "Save water resources" at conspicuous positions;
- Provide water conservation education for employees;
- Use water-efficient sanitary fittings;
- Control the hydraulic pressure to lower the speed of water flow in the pipes;
- Conduct repair for water supply system in a timely manner to prevent water leakage;
- Put more efforts in inspection and repair of water faucets, water pipes and water storing facilities;

- Reasonable reduce the use of water for toilet flushing;
- Perform regular leakage prevention test for faucets and gaskets and test water supply system to prevent other failures;
- Request employees to strictly follow the principle of water conservation in daily work.

Use of Energy

The energy used by the Group in the FY2018 includes gasoline and natural gas. The Group encourages energy saving through simple measures including sufficient utilization of transportation, proactive encouragement of employees to take public transport means to go on and off duty and use of new energy vehicles to replace traditional fuel vehicles. Natural gas is mainly used by the catering business of hotels. In the FY2018, the Group consumed 100,737.0 litres of gasoline and 931,423.0 m^3 of natural gas with intensity of 84.0 litres per person and 773.0 m^3 per person, respectively.

Raw Materials and Packaging Materials

The main raw materials used by the Group in the FY2018 include paper, towels, one-off wash supplies, stone materials and steel products, and the packaging materials used are plastic bags and cartons. To reduce the consumption of raw materials and packaging materials, the Group proactively promotes the practice of environmental protection services, popularizes measures for "sustainable development" and stresses purchase and recycling of environment-friendly products. Meanwhile, in order to reduce paper consumption, the Group has taken the following measures:

- Prioritize duplex printing;
- Use one-side paper as scratch paper/printing paper;
- Use email to reduce consumption of facsimile transmission paper;
- Use paperless meeting system;
- Shifting the existing "Use-Scrap" mode to the "Use-Recycle" mode where the used one-side paper and the used two-side paper are well placed separately from each other to facilitate the recycle and reuse.

Table 2. Total Amount of Resources Used by the Group in the FY2018

Category	Resources	Unit	Amount	Intensity (Per person)
Energy	Gasoline	Litre	100,737.0	84.0
	Natural gas	m^3	931,423.0	773.0
Electricity		kWh	40,011,637.0	33,218.0
Water		m^3	524,101.0	435.0
Raw materials	Towel	Tonne	8.0	–
	one-off wash supplies	Tonne	25.0	–
	paper	kg	81,425.0	68.0
	stone materials	Tonne	4.0	–
	steel products	Tonne	6.0	–
Packaging materials	plastic bags	Piece	132,080.0	110.0
	cartons	Piece	13,704.0	11.0

3. Environment and Natural Resources

Given the nature of its operations, the Group's effects on environment concentrated on greenhouse gases emissions and, apart from this, there were no other issues which would have relatively material effects on the environment.

In hotel operations, the Group proactively advocates the concept of "sustainable development" to guests to avoid the consumption of shark fin and endangered species. In property management operations, electrical patrolling vehicles are adopted for protection of order, which could reduce the use of fossil energy. Additional environmental-friendly oil separation tanks are installed, which are subject to regular maintenance for a good operation. The Group proactively takes environmental protection measures including enhancement of green proportion in landscape of hotels and property development, reduction of rigid pavement and stone materials, and installation of energy conservation and emission reduction monitoring and management facilities and equipment at Thumb Plaza.

In FY2018, the Group had no occurrence of events such as natural gas leakage which could have relatively material impact on the environment.

VI. SOCIAL

Employment and Labour Practices

1. Employment

The Group treasures talents and deems talents as its most valuable assets and the key to the Group's success and maintenance of sustainable development. The Group will continuously provide a platform for its employees' career development and enhancement of their quality.

The human resources policy of the Group is in strict compliance with the employment laws and regulations of the PRC, which mainly includes:

- Employment Ordinance (Cap. 57 of the laws of Hong Kong);
- Employees' Compensation Ordinance (Cap. 282 of the laws of Hong Kong);
- Minimum Wage Ordinance (Cap. 608 of the laws of Hong Kong);
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong);
- Disability Discrimination Ordinance (Cap. 487 of the laws of Hong Kong)；
- Race Discrimination Ordinance (Cap. 602 of the laws of Hong Kong)；
- Sex Discrimination Ordinance (Cap. 480 of the laws of Hong Kong)；
- The Labour Law of the PRC;
- The Employment Promotion Law of the PRC;
- The Provision on Minimum Wage;
- The Labour Contract Law of the PRC;
- The Social Insurance Law of the PRC.

The Group also complies with the relevant laws and regulations relating to social insurance in the PRC and the mandatory provident fund in Hong Kong and purchases five national statutory social insurances including basic endowment insurance, basic medical insurance, employment injury insurance, maternity insurance and unemployment insurance, and housing fund for the employees in Mainland China and make contributions to the mandatory provident fund for its employees in Hong Kong. The human resources departments of the Group and its subsidiaries regularly review and update relevant group policies in accordance with the latest laws and regulations.

As the employment of talents is crucial to future business development, the Group solicits excellent talents with competitive and fair remuneration and benefit relying on various channels including the Internet, institutional recruitment seminar, and agency. The Group has formulated the Management Rules on Recruitment and the Management Rules on Labour Contracts, and determines applicants' remuneration and benefit based on their previous performance, personal quality, work experience and occupational expectation.

To retain talents is of vital importance for the future business development of the Group, therefore the Group makes on-going review of its remuneration system. To retain talents, the Group provides probation and makes regular assessment of the employee's working competence and past performance, and makes adjustments in light of overall market environment when appropriate. In order to stimulate and reward existing management and employees, the Group conducts regular remuneration review according to the Group's profitability, employees' performance and market trend. The promotion policy of the Group adheres to the principle of fairness and transparency, and talents are promoted according to position requirements. Employees with excellent performance and comprehensive outlook may have the promotion opportunity based on his/here personal willingness.

Termination of employment with employees is made in strictly compliance with the Group's Employee Manual. An employee is required to make a quit application in advance by completing the Quit Application Form and stating the reason for quit. After the application is approved, the employee shall submit the same to the human resources department before the quit formalities could proceed. Any discharge or termination of a labour contract shall be made by the Company based on reasonable and lawful grounds.

To provide employees with broad and reasonable room for promotion, the Group classifies its employees into different rankings and based on which formulates the training plan. Through their learning and continuous efforts, employees may achieve not only horizontal career development, but also vertical career promotion, and hence fulfill their personal values.

The Group has prepared internal policies, and formulated policies on employees' working hours and vacation in accordance with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Regulations of the State Council on the Working Hours of Employees (《國務院關於職工工作時間的規定》) local employment law and other laws. The Group exercise strict control over the attendance time of employees and has put in place incentive and punishment rules relating to attendance. In addition to the basic paid annual leave and statutory holidays under employment laws promulgated by local government, employees are also entitled to marriage leave, maternity leave, funeral leave and other additional vacations. When asking for leave, an employees is required to complete the Employee Leave Application Form stating the reason and time for leave, which will take effect after being signed and approved by his/her superiors.

As an employer offering equal opportunities, the Group is committed to promotion of anti-discrimination and creation of equal opportunities in human resources and employment policies, thus to create a work environment featured by fair competition, mutual respect and diversity. For instance, the policies on training and promotion opportunities, dismissal and retirement of all business departments of the Group are not based on employees' age, gender, marital status, pregnancy status, family status, sexual orientation, minority or race, nationality, religion or any other non-work related factors. Meanwhile, the equal opportunity policy prohibits any discrimination, harassment or slander in any work places according to relevant local laws and regulations. The Company encourages employees to report any violations to the human resources department. The human resources department of the Group will be responsible for ensuring the Group's strict compliance with relevant national and local laws and regulations, and conduct assessment and treatment, record and take any necessary disciplinary punishment for such violations.

In order to enhance employees' sense of belonging, the Group provides a number of benefits for employees including cash gifts for holiday and birthday gifts. Meanwhile, to enhance the relations among employees, the Group conducted the trip and teamwork building activities, new-year annual symposium and ball games, which could relax the pressure facing employees. The Group also employs social media and emails to maintain a good communication between the management and the junior employees.

During the year under review, the Group strictly complied with the relevant laws and regulations with material effects on the Group in terms of remuneration and dismissal, recruitment and promotion, working hours, vacation, equal opportunities, diversity, antidiscrimination and other treatments and benefits.

2. *Health and Safety*

In order to provide and maintain good working conditions and a safe and healthy working environment for employees, the Group has prepared work safety and health policies in line with the laws and regulations of the PRC. In order to provide and maintain good working conditions and a safe and healthy working environment for employees, the Group has prepared work safety and health regulations in line with the laws and regulations as promulgated by the PRC government. The major laws and regulations on health and safety include the Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the Law of the PRC on Production Safety (《中華人民共和國安全生產法》) and the Regulations on Work Injury Insurance (《工傷保險條例》).

In order to implement the laws, regulations, policies and standards on prevention and treatment of occupational diseases of the PRC to strengthen management of prevention and treatment of occupational diseases, the Group proactively supervises and urges the management and employees to take good care of the safety management for daily work and production to eliminate potential safety hazards in a timely manner. All employees stationed at the construction sites shall receive training on emergency management and occupational health and safety, with a view to increase employee's safety awareness and prevent any occupation harms.

At the same time, the Group endeavors to provide a clean, smokeless, healthy and safe work environment for employees. In case of occupational hazards or accidents, the Group shall promptly report to the local production safety supervision and management department and organize all departments to take effective measures rapidly to reduce or eliminate occupational hazard factors and prevent aggravation of accidents. The Group strictly prohibits late report, failure in report, false report or subpeption of occupational hazards or accidents.

The Group provides facilities for control occupational hazards and individual protective equipment which are in line with requirements on prevention and treatment of occupational diseases to ensure the safety of employees. The behaviors in violation of laws and regulations on prevention and treatment of occupational diseases and endangering life and health are subject to serious treatment. The employees engaged in special type of work must accept special training and are only allowed to work with a permit for special type of work. During work, it is required to wear protective footwear and safety helmet. For special types of positions, the Group regularly organizes assessment and training for employees to protect their health and safe work environment.

During work hours, the Group keeps all emergency exits in the workplaces clear and smooth, and ensure that all first-aid facilities could work effectively. In addition, the Group has also developed different emergency plans for different circumstances and arranges a drill at least once a year. In the meantime, the Group offers occupational health education and training for employees, regular health examination, diagnosis of occupational disease and other services and provides emergency management training and occupational health training for employees on relevant positions.

In the FY2018, the Group did not violate any laws or regulations with material effects on the Group in terms of provision of a safe working environment and protection of employees, nor had any occupational injury accidents and negative problems on health and safety.

3. *Development and Training*

The Group believes that talent development is crucial to the Group and therefore provides comprehensive training and development programs for its employees, aiming at enhancing their work shill and knowledge. The Group provides periodic training to its staff members of different positions and with different experience.

The internal training of the Group includes orientation training, on-post skill training and the in-house training within respective departments, which could ensure employees possess the necessary professional knowledge and have sufficient ability to handle their daily work. The Group's training is profession-oriented, aiming at providing such employees in different business with the relevant vocational skill training for the related positions on a regular basis. The Group will formulate an annual training schedule and such training will be conducted in different forms, levels and means on a yearly, quarterly or monthly basis.

In addition, the Group also encourages its employees to participate in external training, including various training workshops and inspection tours of management and professional staff. The Group also encourages its employees to participate the examinations for professional licenses or qualifications related to their jobs, aiming at enhancing their personal competence, business knowledge and professional standards. With the consent of his/her superiors, an employee may apply for reimbursement for the costs of the relevant trainings and examinations. In doing so, the Group hopes to provide impetus to employee's self-directed leaning, which could enhance his/her personal capability as well as the Group's competitiveness.

4. Labour Standards

The Group follows close to the line of any labour laws and regulations on prohibitions of child or forced labours in the places where its operations are located including the Employment Ordinance of Hong Kong, the Labour Law of the PRC (《中華人民共和國勞動法》), the Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Child Labour of China (《中華人民共和國禁止使用童工規定》), the Law of the PRC on the Protection of Minors (《中華人民共和國未成年人保護法》) to prohibit employment of any child or forced labour.

In order to crack down on illegal employment of child, minor or forced labour, the human resources department of the Group requests all employees to provide valid identity certificate before confirmation of employment to ensure legal employment of applicants. During the process of recruitment, the personal information provided must be authentic and valid. In case of subpeption, the Group is entitled to terminate the employment according to relevant laws and regulations. Meanwhile, the Group has included the policy on prevention of child or forced labour in the employee manual to completely eliminate the risk of child, minor and forced labour for the Group. In case of any child labour or forced labour identified by it, the Group will report it to the police and other relevant departments such as the Labour Department. The human resources department of the Group also ensures that the Group abides by the latest laws and regulations on prohibition of child and forced labour.

In the FY2018, in respect of prevention of child or forced labour, the Group did not violate any laws and regulation with material effects on the Group.

Operating Practices

5. Supply Chain Management

As an enterprise that takes the fulfillment of social responsibility as its basic policy, the Group requests suppliers to proactively discharge the environmental and social responsibilities. The subsidiaries of the Group monitor their suppliers' quality and supply chain practices in a strict and continuous manner.

Property Development and Management Business

Suppliers for the business are mainly selected by way of tender. During the bidding process, the Group expressly states that suppliers shall meet the Group's internal product and service standards, and observes relevant national and local market practices. Suppliers are required to provide business licenses, qualification certificates, permit for safe production, credential handbook and the certificates of the relevant personnel (such as a constructor certificate, safety certificate and others). After reviewing the basic information of suppliers, the Group will conduct business survey on qualified bidders' background and their quality control system and business license, equipment and facilities, financial position, reputation and after-sales service, fulfillment of social and environmental responsibilities, and whether their technical and construction capacity are in line with the Group's standards and specifications on development projects. In selecting suppliers, the Group will assess suppliers and their historical performance in accordance with the internal supplier management policy and field survey. The supplier wining the bid will be finally determined by the tender work group and decision-making group based on the review results. During bidding, the Group will select at least three suppliers as candidates.

The Group has prepared its supplier management policy to classify suppliers into different groups so as to implement different management strategies for suppliers. In formulating the development plan, the Group and the selected contractors and subcontractors will cooperate closely and implement close monitoring for construction stages to supervise the quality and progress of projects. In the meantime, the Group conducts annual review and review after final acceptance to assess its suppliers' performance in accordance with technical standards, quality, delivery, management and service level to ensure stability of supplier chain. For unqualified products or services, the Group adopts return of goods or re-provision of services and other means in accordance with laws and regulations and includes such supplier into the blacklist to safeguard the Group's interests. For the purpose to timely discover and solve any potential problems, the Group proactively maintains good and long-term relationship with the selected suppliers and makes regular inspection on the cooperation status. Given the strong relationship between the Group and suppliers there was no material delay in supply of goods by suppliers in previous years.

Hotel Operations

The purchases for the Group's hotel operations mainly include hotel-related goods, such as linen, guest room supplies and dining related food materials. Major suppliers include Liangmianzhen (Yangzhou) Hotel Supplies Co., Ltd.（兩面針（揚州）酒店用品有限公司）, Ecolab (China) Investment Co., Ltd.（藝康（中國）投資有限公司）, Qingdao Yinaiya Household Paper Co., Ltd.（青島益耐雅生活用紙有限公司）, Qingdao Guoli Industrial Co., Ltd.（青島國荔實業有限公司）and Qingdao Huimaihang Trade Co., Ltd.（青島匯麥行商貿有限公司）.

Adhering to high standards, the Group selects responsible suppliers and conducts sustainable purchase. The purchase department chooses the suppliers as recommended by peers or the Group's existing suppliers in accordance with department requirements and industry standards, and the relevant department shall confirm the service contents and product standards. In selecting suppliers, the Group also requests suppliers to present the business license, tax registration certificate, organization code, product production license and other business certificates for internal assessment. The suppliers of special industries shall also provide industry related operating permits, e.g. product test report, chemical medicine production license, hygienic license, alcohol wholesale license, etc. If possible, the Group will also request suppliers to provide product samples. Generally speaking, suppliers are required to have fixed operating premises. As for the products falling into the categories which are subject to the special provisions of the relevant state regulations, such products and the supplier's operating premises shall comply with the provisions of the relevant regulations. For example, chemicals suppliers shall meet the production conditions which fulfil the requirements of environmental protection; food suppliers' premises shall be subject to the relevant food safety requirements of the governmental authorities. The Group's on-site inspection regarding the main suppliers' operating premises is one of the bases for selecting suppliers. In selecting suppliers, the Group will consider suppliers' product quality, production capacity, reputation, qualifications, tracking records and social and environmental responsibilities.

The Group organizes evaluation of the suppliers regularly and formulates the contents of such evaluation pursuant to the relevant regulations and standard of the relevant governmental authorities and of the industry, as well as the Group's internal rules and regulations. Unqualified suppliers shall be blacklisted. The Group has a perfect mechanism to supervise whether suppliers comply with laws and regulations to minimize the adverse effects on the environment and society. The Group will also consider suppliers' environmental and social risk factors, in particular suppliers' reputation, credit standing, and profession and capacity in relevant fields. In order to support local economy and minimize the effects of products transportation on the environment, the Group gives priority to local suppliers in purchase. In cooperation with suppliers, the Group endeavours to minimize the impact of purchase on the environment, and conducts interview in respect of suppliers' environmental behaviors to understand whether suppliers cause material environmental hazards, the number of previous pollution incidents and suppliers' awareness of environmental protection.

6. Product Responsibility

The Group strictly abides by the laws and regulations of the PRC in relation to construction and operation of natural gas station including but not limited to:

- the Law of the PRC on Fire Prevention;
- the Law of the PRC on Construction;
- the Administrative Regulations on Production Safety of Construction Works;
- the Law of the PRC on Production Safety;
- the Law of the PRC on Traffic Safety;
- the Law of the PRC on the Protection of Consumer's Rights and Interests;
- the Law of the PRC on Intellectual Property Rights;
- the Law of the PRC on Advertising.

In FY2018, the Group did not violate any laws or regulations on the quality of products/services, health and safety, advertisement, label and privacy right which have material effects on the Group.

Property Development and Management Business

As a famous property developer in China, the Group establishes quality objectives for the planning phase of each property development project, and formulates corresponding technical standards and construction plans. The engineering management center and project engineering supervision department of the Group's subsidiaries are responsible for initiating construction projects and monitoring project progress to ensure that the projects are in line with project plan and construction agreements. To make sure that the materials used for construction meet safety standards, the Group closely monitors the site acceptance of materials through quality monitoring and process acceptance procedures. In case of any delay in construction plan, the project engineering supervision department will immediately take measures to adjust and coordinate construction and sales plan.

The Group conducts self-examination regularly in accordance with the policies on safety inspection, including the Incident Reporting Mechanism (《事故上報機制》) and others as issued by the Group to all of its group companies. The headquarters of the Group conducts safety inspection on a quarterly basis and conducts review and assessment for project safety. The contents of such assessment includes: contingency treatment and management, fire equipment management, fire engine access management, on-site inspection of the safe use of electricity and regulatory records, control of renovation materials, on-site inspection of construction sites and monitoring thereof and training on fire-fighting, fire drill (實戰演練), contingency plan record and others.

For purposes of safeguarding and protecting the health and safety of employees, all personnel entering into project sites are required to obtain the approval from the Group's engineering department (工程部) in order to comply with the safety management system regarding sites and are required to wear safety helmets and other relevant equipment. The Group purchases commercial insurance and employee safety insurance and organizes training on health and safety on a regular basis. The safety and quality of properties developed by the Group are subject to monitoring by qualified persons in different construction stages to ensure compliance with the standards and provisions of the Group. The chief supervisory engineer of projects, as the project supervisor, must gain relevant work experience and certificates (e.g. certificate for national certified supervision engineer) according to the project scale and complexity, engineering environment and other factors.

A customer complaint box is set on construction site. Any complaint from customers in relation to the problems of construction site can be directly delivered into the customer complaint box. Upon receipt of complaints, the sales personnel will register the problems related to the complaints and the solutions therefor. The problems that cannot be solved shall be reported to superiors level by level and the complaint registration form shall be submitted to the sales manager and the Group's sales management office on a monthly basis. In case of complaint on housing quality, the engineering department of the Group will provide relevant policy and legal support and relevant solutions. For the customer complaints due to personal reasons without reasonable interpretation or in case of losses caused to the Group by the errors during sales, the relevant personnel will be issued with a written warning or administrative notice or be immediately dismissed depending on the seriousness of the case.

The Group strictly prevents any false or exaggerated propaganda. All advertisements can only be released to the market after examination by the legal affairs department. Meanwhile, the Group closely monitors the authenticity and reliability of advertisements and takes remedial measures in a timely manner in case of problems. The Group attaches importance to the protection of intellectual property rights, and proactively applies for intellectual property rights to safeguard the Group's interests.

The Group strictly protects customer's privacy. All customer information can only be used for the purposes as described to customers at collection, and it is prohibited to provide customer information to any third party without the permit of customers. The Group has the measures for management of customer information and the access to customer information must be subject to consent by a specially assigned person. All customer information is subject to sorting and custody by a specially assigned person. The IT department has installed a firewall in computers of the Company to prevent information leakage.

Hotel Operations

The Group's policy in respect of its hotel operation business has always been based on the concept around serving people and its goal is customer satisfaction by the provision of quality accommodation and catering service. The Group has passed the ISO9001 – quality management system certification, ISO14001 – environment management system certification, OHSAS18001 – occupational health and safety management system and ISO50001 – energy management system certifications in respect of its services. In addition, the Group regularly provides training courses to ensure hotel's service quality

For purposes of safeguarding the service quality and security of its hotels, the Group's Quality Management Department is set up to be responsible for the monitoring and inspection of various services. The standards of such inspection are implemented in accordance with various internal operating guidelines of the Group, including but not limited to the Fire Hazard Rectification System (《火災隱患整改制度》), the Management and Maintenance Mechanism of Fire hydrant System (《消火栓系統的管理和保養制度》), the Management System of Safe Evacuation Facility (《安全疏散設施管理制度》), Procedures Concerning the Disposal of Suspected Explosives Items/Intimidated Phone Calls (《可疑爆炸物品處理常式／恐嚇電話》) and all other similar policies. The Group conducts a third-party inspection over all of the safety equipment of the hotels on a regular basis so as to ensure the safety of hotel guests. Meanwhile, hotels may also implement maintenance and cleaning of the central air conditioning system so as to ensure the air quality of the hotels.

In order to create an unforgettable experience for guests, the Group listens to the demands of guests and proactively conducts communication and exchange with guests through various channels. In the event that hotels receive any complaints from their hotel guests, such complaints will be immediately handled by the lobby manager. Should such go beyond the authorized scope of the lobby manager, such feedback will be escalated level by level until and when such feedback has reached the general manager. Moreover, the Group will inform guests of the treatment progress in a timely manner. The hotels implement an annual customer satisfaction survey for collating and analysing statistics and relevant opinions in respect of customer satisfaction. The Group will then calculate the ratings of customer satisfaction and degree of customer satisfaction based on the summary of customer survey for purposes of promptly adjusting and continuously improving the Group's service quality, environmental protection standards, and the results of the management of occupational health and safety, compliance with the laws and regulations related to quality, environment and occupational health and safety, as well as other requirements of the industry, and strengthening the consciousness and responsibility of employees regarding work quality, work environment and occupational health and safety awareness.

The relevant content of the Group's advertising is required to be conducted pursuant to its guidelines regarding the design of advertising and promotional materials. The legal department provides the real-time consultancy and assistance in respect of advertising and promotional materials to prevent false or exaggerated publicity in any form.

Protection of customer privacy has always been the primary concern of this business. The Group strictly observes all the laws and regulations on personal information privacy of the jurisdictions where its operations are located. For purposes of ensuring that the Company's market position in respect of hotel can be consolidated and developed, the Company's employees must implement the confidentiality system regarding the customers' information and privacy in accordance with the Law of Protection of Consumers Rights and Interests and such laws and regulations in respect of privacy as well as the internal relevant system, for purposes of ensuring that the customers' rights are strictly protected. The Group is equipped with a complete regulatory system and security measures are adopted to prevent from any loss or leakage of the relevant data. The Group has established access authorities of different levels, and only authorized employees are allowed to access customer' personal information. All personal information collected for maintaining membership qualification can only be used for membership management and marketing with the permit of customers. All the information related to the stay of hotel guests must be kept in the computer system. All information is kept strictly confidential except for disclosure based on the legal certification provided by the relevant governmental authority. Without the consent of the hotel guests staying at the hotels, neither guest room number nor other information (such as the name(s), company, accounts and payment details) may be released. The relevant employees are required to sign and execute the confidential agreement for implementing the confidentiality of daily work and other relevant matters.

7. *Anti-corruption*

The Company strictly follows the relevant laws and regulations relating to bribery, extortion, fraud and money laundering, such as the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and Prevention of Bribery Ordinance of Hong Kong (《防止賄賂條例》) to prevent bribery, extortion or money laundering in any form by the Group or its employees.

The Group takes a zero tolerance stance for corruption in any form, and has developed relevant management systems including internal rules on anti-corruption and bribery to reinforce internal integrity management and supervision. In fulfillment of work duties, all employees must observe honesty principle and be law-abiding and self-disciplined, and shall not participate in bribery or take advantage of duties to conduct any activity with prejudice to the Group's interests. The Group regularly conducts education on integrity for employees on critical positions to enhance employees' self-discipline capacity.

The Group has set up an internal compliance department to be responsible for supervision and whistle-blowing of any behaviors in violation of code of professional ethics. In case of any potential or ongoing prejudice to the interests of the Group in operation management activities, all employees are obliged to reflect the same to the head of department in a timely manner by means of fax, letter or direct report to the chief executive director in a real-name or anonymous way through the internal ERP platform of the Company. Upon being informed of relevant information, the department heads shall report to the legal affairs authority within 5 days. The Group adopts a confidentiality mechanism to protect informers against threat and disadvantage in relation to the employment relationship and guarantee completeness and complete records of all relevant information.

The management of the Group investigates any suspected or illegal acts suspected of bribery, extortion, fraud or money laundering to safeguard the Group's interests. After investigation, the employees suspected of committing crime shall report to the relevant regulatory authorities or law enforcement departments when considered necessary by the management. If emergency treatment measures are required, the persons in charge of departments shall take emergency treatment measures.

During the year under review, the Group did not violate any laws or regulations with material effects on the Group in terms of bribery, extortion, fraud and money laundering.

Community

8. Community Investment

The Group deeply understands the importance of social responsibility to the Group and thus proactively follows the government policies to increase its community investments, so as to contribute to the harmonious and stable development of community. During the year under review, the Group's community investment was mainly focused on employee benefits and education.

In 2018, the Group's policies relating to employee attendance and rest were implemented in full compliance with the relevant government policies. In addition, the Group donated pianos to schools for deaf-mutes, and provided financial assistance to children in poverty.

Apart from the aforesaid, the property development projects of the Group also received wide recognition from the public. During the year under review, the Nanjing Zendai Himalaya Center project was awarded the honor of "2018 China Commercial Property Benchmark Project" (2018中國商業地產標桿項目), while the Group also received the award of " 2018 Top 10 China Commercial Property Companies in Terms of Brand Value" (2018中國商業地產公司品牌價值TOP10) for its brand.

VII. REPORT DISCLOSURE INDEX

Aspects	KPI	Description	Page
A. Environmental			
A.1. Emissions	General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	57
	KPI A1.1	The types of emissions and respective emission information.	57
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	61
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	61
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	61
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	57
	KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved.	57

A.2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	62
	KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	65
	KPI A2.2	Water consumption in total and intensity.	65
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	62
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	63
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	65
A.3. The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	65
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	65

B. Social			
Employment and Labour Practices			
B.1. Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	66
B.2. Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	69
B.3. Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	70
B.4. Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	71

Operating Practices			
B.5. Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	72
B.6. Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	74
B.7. Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	78
Community			
B.8. Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	79

羅兵咸永道

To the Shareholders of Shanghai Zendai Property Limited
(Incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Shanghai Zendai Property Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 213, which comprise:

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

Our opinion

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

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BASIS FOR OPINION

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

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

The key audit matter identified in our audit is related to the valuation of investment properties:

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 17 to the consolidated financial statements The Group's investment properties were measured at fair value and carried at HK$3,180 million as at 31 December 2018 with a fair value gain of HK$1.7 million for the year then ended. The fair value of investment properties were determined by the Group based on the valuations performed by independent professional valuer (the "Valuer") engaged by the Group. The Group's investment property portfolio mainly included completed investment properties in mainland China. The valuation of investment properties was derived from the income capitalisation approach, the direct comparison method or a combination of these approaches. For income capitalisation approach, the relevant key assumptions include capitalisation rate, reversionary yield and monthly rental. For direct comparison method, the relevant key assumption is the estimated price per square meter, with reference to recent transactions of the comparable properties and adjusted for differences in key attributes such as but not limited to location and property size. All the relevant key assumptions were influenced by the prevailing market conditions and each property's characteristics. We focus on this area due to the significant quantum of investment properties to the consolidated financial statements and the relevant key assumptions applied in valuation involved significant judgments and estimates.	We assessed the competence, capabilities and objectivity of the Valuer. We obtained the valuation report of each property and assessed the appropriateness of the valuation methods applied. We assessed the reasonableness of relevant key assumptions used in valuation including capitalisation rates, reversionary yield, monthly rental and estimated price per square meter by gathering and analysing the data of comparable properties in the market and the characteristics of individual investment property such as location, age and size. We involved our internal valuation specialists to assist us in assessing the methodologies used by the Valuer and compared the valuations of investment properties, on a sample basis, to our independently formed market expectations. In light of the above, we found the significant judgments and estimates made by management on the relevant key assumptions were in the acceptable range.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- 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 Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 28, 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December	
		2018	2017
	Notes	**HK$'000**	HK$'000
Revenue	*8*	**7,172,037**	3,027,741
Cost of sales	*10*	**(6,360,457)**	(2,914,478)
Gross profit		**811,580**	113,263
Other (losses)/gains-net	*9*	**(24,038)**	1,157,379
Net impairment losses on financial assets	*6*	**(56,963)**	–
Selling and marketing expenses	*10*	**(196,909)**	(106,427)
Administrative expenses	*10*	**(340,270)**	(417,116)
Change in fair value of investment properties	*17*	**1,705**	63,236
Share of results of associates	*20*	**(48,498)**	(15,429)
Share of result of a joint venture		**–**	140,540
Finance costs – net	*12*	**(805,072)**	(749,755)
(Loss)/Profit before income tax		**(658,465)**	185,691
Income tax expense	*13*	**(321,711)**	(56,534)
(Loss)/Profit for the year		**(980,176)**	129,157
(Loss)/Profit for the year attributable to:			
– Owners of the Company		**(905,485)**	34,400
– Non-controlling interests		**(74,691)**	94,757
		(980,176)	129,157
(Loss)/Earnings per share			
– Basic	*15*	**HK (6.09) Cents**	HK$0.23 Cent
– Diluted	*15*	**HK (6.09) Cents**	HK$0.23 Cent

The notes on pages 98 to 213 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 HK$'000	2017 HK$'000
(Loss)/Profit for the year		**(980,176)**	129,157
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(258,442)**	321,814
Release of exchange differences on disposal of subsidiaries	*34*	**31,548**	150,324
Release of exchange differences on disposal of an associate		**(1,335)**	–
Release of exchange differences upon business combination		**–**	39,170
		(228,229)	511,308
Items that will not be reclassified subsequently to Profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		**8,262**	–
Gain on revaluation of land and buildings		**–**	7,625
Other comprehensive (loss)/income for the year, net of tax		**(219,967)**	518,933
Total comprehensive (loss)/income for the year		**(1,200,143)**	648,090
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(1,125,222)**	534,927
– Non-controlling interests		**(74,921)**	113,163
Total comprehensive (loss)/income for the year		**(1,200,143)**	648,090

The notes on pages 98 to 213 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**595,709**	616,770
Investment properties	*17*	**3,180,068**	3,326,492
Land use rights	*18*	**470,810**	517,999
Investment in associates	*20*	**18,994**	121,816
Available-for-sale financial assets	*4*	**–**	64,061
Financial assets at fair value through other comprehensive income	*27*	**37,984**	–
Amounts due from an associate	*20*	**246,884**	249,701
Deferred income tax assets	*31*	**5,234**	34,363
Pledged bank deposits	*24*	**254,695**	–
Total non-current assets		**4,810,378**	4,931,202
Current assets			
Properties under development and completed properties held-for-sale	*21*	**11,000,960**	14,169,388
Inventories		**3,218**	2,404
Contract assets	*4*	**11,455**	–
Trade and other receivables	*22*	**664,668**	706,883
Deposits for properties under development	*23*	**15,268**	27,337
Amounts due from an associate	*20*	**10,575**	721,352
Available-for-sale financial assets	*4*	**–**	7,805
Financial assets at fair value through profit or loss	*27*	**13,366**	–
Tax prepayments	*30*	**215,167**	271,526
Pledged bank deposits	*24*	**879,943**	857,494
Cash and cash equivalents	*25*	**843,049**	1,420,068
		13,657,669	18,184,257
Assets of disposal group classified as held-for-sale	*26*	**–**	1,245,416
Total current assets		**13,657,669**	19,429,673
Total assets		**18,468,047**	24,360,875
EQUITY			
Equity attributable to owners of the Company			
Share capital	*32*	**297,587**	297,587
Reserves		**2,769,137**	3,059,236
(Accumulated losses)/Retained earnings		**(352,867)**	429,965
		2,713,857	3,786,788
Non-controlling interests		**74,386**	140,452
Total equity		**2,788,243**	3,927,240

	Notes	As at 31 December 2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings and loans	*29*	**3,828,558**	5,847,647
Deferred income tax liabilities	*31*	**749,764**	947,584
Other payables	*28*	**19,326**	187,463
Total non-current liabilities		**4,597,648**	6,982,694
Current liabilities			
Trade and other payables	*28*	**3,681,881**	2,489,637
Contract liabilities	*4*	**3,279,438**	–
Receipts in advance from customers	*4*	**–**	5,706,829
Amounts due to minority owners of subsidiaries		**570,966**	719,749
Borrowings and loans	*29*	**3,140,228**	3,668,501
Tax payables	*30*	**409,643**	567,171
		11,082,156	13,151,887
Liabilities of disposal group classified as held-for-sale	*26*	**–**	299,054
Total current liabilities		**11,082,156**	13,450,941
Total liabilities		**15,679,804**	20,433,635
Total equity and liabilities		**18,468,047**	24,360,875

The notes on pages 98 to 213 are an integral part of these consolidated financial statements.

On behalf of the Board of Directors

Qiu Haibin
Director

Zhang Huagang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital (Note32) HK$'000	Share premium (a) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (b) HK$'000	Special capital reserve (c) HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve (d) HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 31 December 2017	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	429,965	(34,311)	7,625	3,786,788	140,452	3,927,240
Change in accounting policies	–	–	–	–	–	–	–	–	52,291	–	–	52,291	9,084	61,375
Restated balance at 1 January 2018	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	482,256	(34,311)	7,625	3,839,079	149,536	3,988,615
Comprehensive loss														
Loss for the year	–	–	–	–	–	–	–	–	(905,485)	–	–	(905,485)	(74,691)	(980,176)
Other comprehensive loss														
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–	–	8,262	8,262	–	8,262
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	8,262	–	(8,262)	–	–	–
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	(258,212)	–	(258,212)	(230)	(258,442)
Release of exchange differences on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	31,548	–	31,548	–	31,548
Release of exchange differences on disposal of an associate	–	–	–	–	–	–	–	–	–	(1,335)	–	(1,335)	–	(1,335)
Total other comprehensive loss, net of tax	–	–	–	–	–	–	–	–	8,262	(227,999)	–	(219,737)	(230)	(219,967)
Total comprehensive loss	–	–	–	–	–	–	–	–	(897,223)	(227,999)	–	(1,125,222)	(74,921)	(1,200,143)
Transactions with owners in their capacity as owners														
Release upon lapse of share options	–	–	–	–	–	–	(62,100)	–	62,100	–	–	–	–	–
Acquisition of additional interests in a subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(229)	(229)
Transactions with owners in their capacity as owners	–	–	–	–	–	–	(62,100)	–	62,100	–	–	–	(229)	(229)
At 31 December 2018	297,587	2,164,682	1,074	157,315	68,541	353,746	–	278,464	(352,867)	(262,310)	7,625	2,713,857	74,386	2,788,243

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital (Note 32) HK$'000	Share premium (a) HK$'000	Capital redemption reserve HK$'000	Contributed surplus (b) HK$'000	Special capital reserve (c) HK$'000	Statutory surplus reserve HK$'000	Share option reserve HK$'000	Other reserve (d) HK$'000	Retained earnings HK$'000	Foreign exchange reserve HK$'000	Other revaluation reserve HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	297,587	2,164,682	1,074	157,315	68,541	353,746	54,338	278,464	395,565	(527,213)	–	3,244,099	27,289	3,271,388
Comprehensive income														
Profit for the year	–	–	–	–	–	–	–	–	34,400	–	–	34,400	94,757	129,157
Other comprehensive income														
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	309,440	–	309,440	12,374	321,814
Release of exchange differences on disposal of foreign operations	–	–	–	–	–	–	–	–	–	150,324	–	150,324	–	150,324
Release of exchange differences on deemed disposal of a joint venture	–	–	–	–	–	–	–	–	–	33,138	–	33,138	6,032	39,170
Gain on revaluation of land and buildings	–	–	–	–	–	–	–	–	–	–	7,625	7,625	–	7,625
Total other comprehensive income, net of tax	–	–	–	–	–	–	–	–	–	492,902	7,625	500,527	18,406	518,933
Total comprehensive income	–	–	–	–	–	–	–	–	34,400	492,902	7,625	534,927	113,163	648,090
Transactions with owners in their capacity as owners														
Grant of share options	–	–	–	–	–	–	7,762	–	–	–	–	7,762	–	7,762
Transactions with owners in their capacity as owners	–	–	–	–	–	–	7,762	–	–	–	–	7,762	–	7,762
At 31 December 2017	297,587	2,164,682	1,074	157,315	68,541	353,746	62,100	278,464	429,965	(34,311)	7,625	3,786,788	140,452	3,927,240

(a) Amount subscribed for share capital in excess of nominal value.

(b) The Company's contributed surplus represents the credit arising from the effect of share premium offset against accumulated losses in 2006.

(c) The special capital reserve represents the credit arising from the effect of reduction in share capital in previous years.

(d) Other reserve arose from the difference between fair value of any consideration and the carrying amount of relevant net assets for transactions with non-controlling interests in previous years.

The notes on pages 98 to 213 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		**(658,465)**	185,691
Adjustments for:			
Interest income		**(11,862)**	(40,954)
Dividend income		**(3,555)**	(2,767)
Finance costs	*12*	**805,072**	749,755
Depreciation of property, plant and equipment		**33,961**	36,950
Amortisation of land use rights		**21,351**	20,773
Change in fair value of investment properties	*17*	**(1,705)**	(63,236)
Share of results of associates		**48,498**	15,429
Share of results of a joint venture		**–**	(140,540)
Impairment of properties under development and completed properties held-for-sale		**70,012**	136,055
Loss on sale of property, plant and equipment		**1,215**	39
Revaluation gain from business combination		**–**	(1,192,852)
Gain on disposal of investment in an associate		**(3,739)**	–
Gain on disposal of investment properties		**–**	(4,202)
(Gain)/Loss on disposal of subsidiaries	*34*	**(17,363)**	47,921
Exchange gain		**(20,594)**	–
Share-based payments		**–**	7,762
Impairment of receivables		**56,963**	–
Other loss		**62,858**	35,141
Operating gain/(loss) before working capital changes		**382,647**	(209,035)
Decrease in properties under development and completed properties held-for-sale		**3,039,110**	908,711
(Increase)/Decrease in inventories		**(814)**	910
(Increase)/Decrease in trade and other receivables		**(191,979)**	232,078
Decrease in contract assets		**16,996**	–
(Increase)/Decrease in deposits for properties under development		**(3,645)**	18,864
Increase in trade and other payables		**1,514,360**	114,905
Decrease in receipts in advance from customers		**–**	(224,993)
Decrease in contract liabilities		**(1,795,519)**	–
Cash generated from operations		**2,961,156**	841,440
Interest received		**11,862**	40,954
Interest paid		**(997,530)**	(1,155,184)
Income taxes paid		**(644,228)**	(164,798)
Net cash generated from/(used in) operating activities		**1,331,260**	(437,588)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 HK$'000	2017 HK$'000
Investing activities			
Decrease in amounts due from an associate		**629,841**	–
Decrease in amounts due from joint ventures		**–**	95,696
Decrease in pledged bank deposits		**–**	523,686
Purchase of property, plant and equipment		**(11,490)**	(8,399)
Purchase of investment properties		**(4,577)**	(7,494)
Purchase of financial assets		**(13,366)**	–
Proceeds from disposal of investment properties		**–**	11,924
Proceeds from sale of property, plant and equipment		**1,573**	6,130
Business combination, net of cash acquired		**–**	846,848
Net cash inflow on disposal of subsidiaries	*34*	**248,876**	1,025,219
Advance from disposal of a subsidiary		**–**	104,467
Net proceeds on disposal of financial assets at fair value through other comprehensive income		**31,931**	–
Payment for the remaining consideration of a business combination in previous year		**(113,895)**	–
Proceeds from disposal of financial assets		**7,805**	–
Dividends received from available-for-sale investments		**–**	2,767
Net cash generated from investing activities		**776,698**	2,600,844
Financing activities			
Increase in amount due to a joint venture		**–**	203,646
(Decrease)/Increase in amounts due to minority owners of subsidiaries		**(113,895)**	9,742
Increase in borrowings and loans		**3,054,480**	7,899,632
Repayment of borrowings and loans		**(5,224,210)**	(9,573,449)
Increase in pledged bank deposits		**(334,271)**	–
Others		**–**	(34,586)
Net cash used in financing activities		**(2,617,896)**	(1,495,015)
Net (decrease)/increase in cash and cash equivalents		**(509,938)**	668,241
Cash and cash equivalents at beginning of year		**1,420,068**	709,864
Effect of foreign exchange rate changes		**(67,081)**	41,963
Cash and cash equivalents at end of year		**843,049**	1,420,068

The notes on pages 98 to 213 are an integral part of these consolidated financial statements

1. GENERAL

Shanghai Zendai Property Limited (the "Company") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza,18 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "PRC").

The consolidated financial statements are presented in HK dollars ("HK$"), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors (the "Board") on March 28, 2019.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets, which are carried at fair value.

2.1 Going concern

The Group meets its day-to-day working capital requirements through its operation sales and bank facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 29.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

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

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

Following the adoption of HKFRS 9 and HKFRS 15, the Group had changed its accounting policies and applied the modified retrospective adjustments approach which means that the cumulative impact of the adoption have been recognised as adjustments to retained earnings or other reserves as of 1 January 2018 and that comparative figure of the financial information will not be restated. The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in note 4 below.

The other amendments listed above have no material impact to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Changes in accounting policies and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

HKFRS 16 Leases

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$131,175,000, see note 33.

The Group expects an increase in right-of-use assets and an increase in financial liabilities in the consolidated balance sheet. In the consolidated income statement, as a result, the operating expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expenses will increase.

Operating cash flows will increase and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect any significant impact on the financial statements as a lessor. However, some additional disclosures will be required from next year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Changes in accounting policies and disclosures *(Continued)*

(b) New standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases *(Continued)*

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

3.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 3.3)

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(b) Associates

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

(c) Joint arrangements

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

(d) Equity accounting

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 3.10.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(e) Changes in ownership interests

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations

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

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Business combinations *(Continued)*

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

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

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

3.4 Separate financial statements

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

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

3.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transations and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

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

(d) Disposal of foreign operation and partial disposal

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal (Continued)

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

3.7 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, assessed annually by a professional independent valuer. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If such information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Invsetment properties *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any differences resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income and increase the revaluation surplus within equity. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

For an investment property becomes to redevelop with a view to sale, it is reclassified as inventory, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of inventories becomes an investment property that will be carried at fair value is consistent with the treatment of sales of inventories. Any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

3.8 Land use rights

Land in China mainland is state-owned and no individual land ownership right exists. The Group acquired the rights to certain land, and the premiums paid for such rights are recorded as land use rights. Land use rights are classified and accounted for in accordance to the intended use of respective properties as erected on the land.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.8 Land use rights *(Continued)*

For properties that are held for own use, corresponding land use rights are separately stated in the balance sheet, and are stated at cost and amortised over the use terms of 40 to 70 years using the straight-line method.

For properties that are held for development and subsequent sale, corresponding land use rights are accounted for as part of the development costs, and are accounted for under Note 3.14.

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

– Hotel Buildings	Lower of underlying land lease term or 50 years
– Leasehold improvements	5 years
– Motor vehicles	5 years
– Furniture and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised within "other (losses)/gains-net", in the consolidated income statement.

When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of non-financial assets

Goodwill are not subject to amortisation and are tested annually if impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.11 Disposal groups held-for-sale

Disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of disposal group is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets

3.12.1 Classification

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

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

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

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

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

3.12.2 Recognition and de-recognition

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

3.12.3 Measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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

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

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Investments and other financial assets *(Continued)*

3.12.3 Measurement (Continued)

Equity instruments

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

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

3.12.4 Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 22 for further details.

3.12.5 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.14 Inventories

(a) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

Development costs of properties comprises land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees as incurred during the development period. On completion, all development costs of the properties are transferred to completed properties held-for-sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

(b) Completed properties held-for-sale

Completed properties held-for-sale are completed properties remaining unsold at the balance sheet date and are stated at the lower of cost and net realisable values. Cost comprises development costs attributable to the unsold properties. Net realisable values is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Inventories *(Continued)*

(c) Other inventories

Other inventories mainly comprise raw materials for upfitting, food and beverages and hotel consumables. Goods are valued at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises invoiced price, delivery and other direct costs relating to purchases. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.15 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

3.16 Cash and cash equivalents

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

3.17 Share capital

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Trade and other payables

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

3.19 Borrowings and Borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.20 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

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

Current and deferred tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3.21 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

The Group has only defined contribution pension plans.

Defined contribution plans

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Employee benefits *(Continued)*

(c) Termination benefits

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

(d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.22 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Share-based payments *(Continued)*

(a) *Equity-settled share-based payment transactions (Continued)*

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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

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

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

(b) *Share-based payment transactions among group entities*

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

In the subsidiaries' financial statements, the award is treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting period, with a credit recognised in equity. The credit to equity is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.23 Provisions

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

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

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

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition *(Continued)*

(a) Sale of properties

In prior reporting period, the revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties have been completed and the properties have been delivered to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in current liabilities, and are separately stated in the consolidated balance sheet as receipts in advance from customers.

In adopting HKFRS 15, revenues are recognised when or as the control of the property is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Revenue recognition *(Continued)*

(b) Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease.

(c) Render of services

Revenue from provision of services is recognised in the accounting period in which the services are rendered.

(d) Property management and agency fee income

Property management and agency fee income is recognised in the accounting period in which the services are rendered.

3.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.26 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.28 Government grants

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

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

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

3.29 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

4 CHANGES IN ACCOUNTING POLICIES

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

4.1 IMPACT ON THE FINANCIAL STATEMENTS

As explained in Note 3.1 above, the Group has applied HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9 and HKFRS 15, comparative figures have not been restated.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	As at 1 January 2018			
	As previously stated	**HKFRS 9**	**HKFRS 15**	**Restated**
	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated balance sheet (extract)				
Properties under development and completed properties held-for-sale	**14,169,388**	**–**	**(432,633)**	**13,736,755**
Trade and other receivables	**706,883**	**–**	**(28,749)**	**678,134**
Available-for-sale financial assets	**71,866**	**(71,866)**	**–**	**–**
Financial assets at fair value through profit or loss	**–**	**7,805**	**–**	**7,805**
Financial assets at fair value through other comprehensive income	**–**	**64,061**	**–**	**64,061**
Contract assets	**–**	**–**	**29,995**	**29,995**
Tax prepayments	**271,526**	**–**	**(5,470)**	**266,056**
Assets of disposal group classified as held-for-sale	**1,245,416**	**–**	**(44,589)**	**1,200,827**
Receipts in advance from customers	**5,706,829**	**–**	**(5,706,829)**	**–**
Contract liabilities	**–**	**–**	**5,177,680**	**5,177,680**
Tax payables	**567,171**	**–**	**22,744**	**589,915**
Liabilities of disposal group classified as held-for-sale	**299,054**	**–**	**(53,325)**	**245,729**
Deferred income tax liabilities	**947,584**	**–**	**16,909**	**964,493**
Retained earnings	**429,965**	**–**	**52,291**	**482,256**
Non-controlling interests	**140,452**	**–**	**9,084**	**149,536**

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

(i) Classification and measurement of financial instruments

There is no significent impact on the Group's retained earnings as at 1 January 2018 by adoption of HKFRS 9.

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

The main effects resulting from this reclassification are as follows:

	Available-for-sale financial assets ("AFS")	**FVOCI**	**FVPL**
	HK$'000	HK$'000	HK$'000
At 1 January 2018			
Closing balance 31 December 2017			
– HKAS 39	**71,866**	**–**	**–**
Reclassify from AFS to FVOCI (a)	**(64,061)**	**64,061**	**–**
Reclassify from AFS to FVPL (b)	**(7,805)**	**–**	**7,805**
Opening balance 1 January 2018			
–HKFRS 9	**–**	**64,061**	**7,805**

There is no material effects resulting from this reclassification on the Group's opening balance of the equity.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 HKFRS 9 FINANCIAL INSTRUMENTS *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

(a) Equity investments previously classified as AFS

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$64,061,000 were reclassified from AFS to financial assets at FVOCI on 1 January 2018.

(b) Reclassification from AFS to FVPL

Certain redeemable investment product issued by banks were reclassified from available-for-sale to financial assets at FVPL (HK$7,805,000 as at 1 January 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. There is no related fair value gains of such investment were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 HKFRS 9 FINANCIAL INSTRUMENTS *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

(c) Reclassifications of financial instruments on adoption of HKFRS 9

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

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference
			HK$'000	HK$'000	
Non-current financial assets					
Equity investment	Available for sale	FVOCI	64,061	64,061	–
Amounts due from an associate	Amortised cost	Amortised cost	249,701	249,701	–
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	39,916	39,916	–
Redeemable investment product issued by banks	Available for sale	FVPL	7,805	7,805	–
Cash and cash equivalents	Amortised cost	Amortised cost	1,420,068	1,420,068	–
Other receivables	Amortised cost	Amortised cost	666,967	666,967	–
Amounts due from an associate	Amortised cost	Amortised cost	721,352	721,352	–

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.2 HKFRS 9 FINANCIAL INSTRUMENTS *(Continued)*

(ii) Impairment of financial assets

The group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables for sales of properties and from the provisions of services
- contract assets relating to sales of properties, and
- other receivables carried at amortised cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents, pledged bank deposit are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This does not resulted in material increase of the loss allowance on 1 January 2018 for trade receivables and contract assets.

The loss allowance increased by a further HK$424,000 for trade receivables during the current reporting period.

Amount due from an associate

The Group applies the HKFRS 9 three-stages approach to assess the expected credit losses for amount due from an associate. This does not result in material increase of the loss allowance on 1 January 2018 for amount due from an associate. The loss allowance of HK$53,684,000 for amount due from an associate is recognised during the current reporting period.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules modified retrospectively, has recognised the cumulative impact of the adoption in retained earnings or other reserves as of 1 January 2018 and has not restated comparatives for the 2017 financial year.

HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the 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 cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The contract assets will be reclassified as receivables when the progress billings are issued or properties are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded as contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Presentation of contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

Contract liabilities for progress billing recognised in relation to property development activities were previously presented as receipts in advance from customers.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(a) In summary, the following adjustments were made to the amounts recognised in the Group's financial position at the date of initial application (1 January 2018):

	As at 1 January 2018			
	HKAS 18 Carrying amount 31 December 2017	**Reclassifications**	**Remeasurements**	**HKFRS 15 Carrying amount 1 January 2018**
	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated balance sheet (extract)				
Properties under development and completed properties held-for-sale	14,169,388	–	(432,633)	13,736,755
Trade and other receivables	706,883	–	(28,749)	678,134
Contract assets	–	–	29,995	29,995
Tax prepayments	271,526	–	(5,470)	266,056
Assets of disposal group classified as held-for-sale	1,245,416	–	(44,589)	1,200,827
Receipts in advance from customers	5,706,829	(5,177,680)	(529,149)	–
Contract liabilities	–	5,177,680	–	5,177,680
Tax payables	567,171	–	22,744	589,915
Liabilities of disposal group classified as held-for-sale	299,054	–	(53,325)	245,729
Deferred income tax liabilities	947,584	–	16,909	964,493
Retained earnings	429,965	–	52,291	482,256
Non-controlling interests	140,452	–	9,084	149,536

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(b) The amounts by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2018			
	Results without the adoption of HKFRS15	**Reclassifications under HKFRS 15**	**Effects of the adoption of HKFRS 15**	**Results as reported**
	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated balance sheet (extract)				
Properties under development and completed properties held-for-sale	11,113,186	–	(112,226)	11,000,960
Trade and other receivables	674,524	–	(9,856)	664,668
Contract assets	–	–	11,455	11,455
Tax prepayments	218,966	–	(3,799)	215,167
Receipts in advance from customers	3,439,557	(3,279,438)	(160,119)	–
Contract liabilities	–	3,279,438	–	3,279,438
Tax payables	395,959	–	13,684	409,643
Deferred income tax liabilities	743,484	–	6,280	749,764
Foreign exchange reserve	(260,463)	–	(1,847)	(262,310)
Accumulated losses	(374,032)	–	21,165	(352,867)
Non-controlling interests	67,975	–	6,411	74,386

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(b) *(Continued)*

	For the year ended 31 December 2018		
	Results without the adoption of HKFRS 15	**Effects of the adoption of HKFRS 15**	**Results as reported**
	HK$'000	HK$'000	HK$'000
Consolidated statement of income and comprehensive income(extract)			
Revenue	7,570,870	(398,833)	7,172,037
Cost of sales	(6,725,116)	364,659	(6,360,457)
Selling and marketing expenses	(184,548)	(12,361)	(196,909)
Income tax expense	(334,447)	12,736	(321,711)
Loss for the period attributable to:			
– Owners of the Company	(874,359)	(31,126)	(905,485)
– Non-controlling interests	(72,018)	(2,673)	(74,691)

(c) Contract assets

i) As at 31 December and 1 January 2018, the contract assets mainly included stamp duty, sales commissions and other costs incurred directly attributable to obtaining a contract.

ii) Management expects the incremental costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2018, the amount of amortisiation was HK$25,147,000 and there was no impairment loss in relation to the costs capitalised.

4 CHANGES IN ACCOUNTING POLICIES *(Continued)*

4.3 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(d) Contracts liabilities

i) As at 31 December and 1 January 2018, the contract liabilities mainly included the payments received from sales of properties which were usually received in advance of the performance under the contracts.

ii) Revenue from sales of properties totalled HK$4,485,826,000 was recognised in current reporting period that was included in the contract liability balance at the beginning of the period.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 17.

(b) Income taxes and land appreciation tax ("LAT")

The Group is primarily subject to various taxes in the PRC, as it is principally engaged in property development in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.1 Critical accounting estimates and assumptions *(Continued)*

(b) Income taxes and land appreciation tax ("LAT") (Continued)

The implementation and settlement of LAT varies among various tax jurisdictions in cities of the PRC. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs, business taxes, property development and other related expenditures. These taxes are incurred upon transfer of property ownership.

Significant judgment is required in determining the extent of land appreciation and its related taxes. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the consolidated income statement in the periods in which such taxes are finalized with local tax authorities.

(c) Provision for properties under development and completed properties held-for-sales

The Group assesses the recoverable amounts of properties under development and completed properties held-for-sales according to their forecast net realisable value, taking into account costs to completion based on budget and past experience and net sales value based on prevailing and expected market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of estimation.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.1 Critical accounting estimates and assumptions *(Continued)*

(d) Provisions for doubtful debts of receivables

The Group annually tests whether receivables suffer any impairment. Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is recognised at the difference between the carrying amount of that receivable and the present value of its estimated future cash flows (including future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. Receivables with amounts that are not individually significant along with those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for doubtful debts is determined based on the expected credit loss ratio for the Groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

5.2 Critical accounting judgements

(a) Revenue recognition

The Group develops and sells residential and commercial properties in the PRC. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local regulations and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.2 Critical accounting judgements *(Continued)*

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 6.

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Policy for managing these risks is set by the Board and summarised below.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when individual company enters into transactions denominated in a currency other than their functional currency.

The company and its certain subsidiaries undertake certain transactions denominated in United States dollars ("USD"). The functional currency of these companies are HK$. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to USD, management considers that there is no significant foreign exchange risk with respect to USD.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk *(Continued)*

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2018, if interest rates on floating rate borrowings have increased/decreased by 50 basis points with all other variables held constant, the Group's interest expense would increase/decrease by approximately HK$10,176,000 (2017: HK$14,561,000).

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge the obligation under the terms of financial instrument and cause a financial loss to the Group. The Group considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there's a significant increase in credit risk, the Group compares the risk of a default occurring on the asset at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(i) Risk management

To manage such exposure, the Group has policies in place to ensure that sales are made to purchasers with appropriate financial strengths and credit history, at the same time appropriate percentages of down payments are made. Deposits are placed with banks with appropriate credit ratings. Monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews and assesses the recoverable amount of each individual trade receivables on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

The recoverability of other receivables is assessed taking into account of the financial position of the counterparties, past experiences and other factors.

For banks and financial institutions, all counterparties are with appropriate credit rankings.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(i) Risk management *(Continued)*

The Group has provided guarantees to banks in favour of certain customers to secure their repayment obligations to banks, for their purchases of property units. If a customer defaults on the payment of its mortgage during the term of the guarantee, banks holding the mortgage may demand the Group to repay the outstanding amount together with any accrued interest thereon. Under such circumstances, the Group is able to sell the property to recover any amounts paid by the Group to banks. The directors of the Company consider that the Group's exposure to credit risk in this regard is minimal.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of properties and from the provision of property management services
- contract assets relating to sales of properties
- other receivables carried at amortised cost

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

Trade receivables and contract assets

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

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) impairment of financial assets *(Continued)*

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for both trade receivables and contract assets:

31 December 2018	Current	Less than 3 months	3-12 months	More than 1 year	Total HK$'000
Expected loss rate	–	1%	2%-5%	5%-15%	
Gross carrying amount					
– trade receivables	39,116	1,243	984	2,528	43,871
Gross carrying amount					
– contract assets	11,455	–	–	–	11,455
Loss allowance	–	12	49	363	424

The loss allowance on that basis on 1 January 2018 (on adoption of HKFRS 9) is immaterial.

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

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables

The Group uses three categories for other receivables, including amounts due from an associate, which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) impairment of financial assets *(Continued)*

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected losses
Stage three	Receivables for which there is a credit loss sine initial recognition	Lifetime expected losses

The Company accounts for its credit risk by appropriately providing for expected losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised was therefore limited to 12 months expected losses.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(ii) impairment of financial assets *(Continued)*

As at 31 December 2018, the loss allowance was determined as follows for other receivables:

	Due from related parties HK$'000	Receivables from government related bodies HK$'000	Receivables from third parties other than government related bodies HK$'000	Total HK$'000
Carrying amount of other receivables	311,143	338,981	285,503	935,627
Expected credit loss rate	17%	–	1%	
Loss allowance	(53,684)	–	(2,855)	(56,539)
Other receivables,net	257,459	338,981	282,648	879,088

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group made no written off for other receivables during the year ended 31 December 2018.

As on a timely basis, in calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(iii) Financial assets at fair value through profit or loss

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (HK$13,366,000; 2017 – nil).

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

(iv) Financial guarantee

The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage loan during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the customer's deposit and resell the property to recover any amounts paid by the Group to the bank. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.1 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities. The amouts disclosed into the table are the constractual undiscounted cash flow.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018						
Trade and other payables	**3,681,881**	**–**	**–**	**–**	**3,681,881**	**3,681,881**
Other payables (non-current)	**–**	**20,980**	**11,567**	**493**	**33,040**	**19,326**
Borrowings and loans	**3,739,490**	**1,834,525**	**2,534,909**	**421,038**	**8,529,962**	**6,968,786**
Amounts due to minority owners of subsidiaries	**604,074**	**–**	**–**	**–**	**604,074**	**570,966**
Guarantees provided (Note 36)	**988,658**	**–**	**–**	**–**	**988,658**	**–**
	9,014,103	**1,855,505**	**2,546,476**	**421,531**	**13,837,615**	**11,240,959**
At 31 December 2017						
Trade and other payables	2,489,637	–	–	–	2,489,637	2,489,637
Other payables (non-current)	–	21,552	36,783	311,780	370,115	187,463
Borrowings and loans	4,384,484	3,597,147	3,168,741	138,717	11,289,089	9,516,148
Amounts due to minority owners of subsidiaries	752,653	–	–	–	752,653	719,749
Guarantees provided (Note 36)	763,552	–	–	–	763,552	–
	8,390,326	3,618,699	3,205,524	450,497	15,665,046	12,912,997

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.2 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. The ratio is calculated as net debt dividend by shareholder's funds. For this purpose the Group defines net debt as total debt (which comprises borrowings and loans and amounts due to minority owners of subsidiaries) less amounts due from associates. Shareholder's funds comprise share capital, reserves and retained earnings.

In order to maintain or adjust the appropriate ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged from prior year.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.2 Capital risk management *(Continued)*

The gearing ratio at 31 December 2018 and 2017 was calculated as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Borrowings and loans	**6,968,786**	9,516,148
Amounts due to minority owners of subsidiaries	**570,966**	719,749
Total debt	**7,539,752**	10,235,897
Less:		
Amounts due from an associate	**(257,459)**	(971,053)
Net debt	**7,282,293**	9,264,844
Shareholder's funds	**2,713,857**	3,786,788
Gearing ratio	**268%**	245%

The increase in the gearing ratio during 2018 resulted primarily from the current year loss.

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.2 Capital risk management *(Continued)*

The movement in the net debt for the year of 2018 is presented as following:

	Other assets	Liabilities from financing activities			
	Amount due from an associate HK$'000	Amount due to minority owners of subsidiaries within 1 year HK$'000	Borrowings due within 1 year HK$'000	Borrowings due after 1 year HK$'000	Total HK$'000
Net debt as at 31 December 2017	971,053	(719,749)	(3,668,501)	(5,847,647)	(9,264,844)
Cash flows	(690,418)	116,244	2,842,883	(673,153)	1,595,556
Foreign exchange adjustments	10,186	32,539	50,447	327,185	420,357
Other non-cash movements	(33,362)	–	(2,365,057)	2,365,057	(33,362)
Net debt as at 31 December 2018	257,459	(570,966)	(3,140,228)	(3,828,558)	(7,282,293)

6.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value, as at 31 December 2018 and 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within Investment properties that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

6. FINANCIAL RISK MANAGEMENT *(Continued)*

6.3 Fair value estimation *(Continued)*

See Note 17 for detailed disclosures of the investment properties that are measured at fair value.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
As at 31 December 2018				
Investment properties	**–**	**93,394**	**3,086,674**	**3,180,068**
Financial assets at FVOCI	**–**	**–**	**37,984**	**37,984**
Financial assets at FVPL	**13,366**	**–**	**–**	**13,366**
	13,366	**93,394**	**3,124,658**	**3,231,418**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
As at 31 December 2017				
Investment properties	–	98,463	3,228,029	3,326,492
Available-for-sale financial assets:				
– Redeemable investment products issued by banks	7,805	–	–	7,805
	7,805	98,463	3,228,029	3,334,297

There were no transfers among Level 1, Level 2 and Level 3 during the year.

7. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Board, being the major body in making operation decisions, for assessing the operating performance and resources allocation.

The Board considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organised into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The Board assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the Board for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and head office and corporate assets, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and loans and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated income statement.

7. SEGMENT REPORTING *(Continued)*

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Reportable segment revenue from external sales *(i)*	**6,684,554**	2,512,153	**159,846**	166,264	**327,637**	349,324	**7,172,037**	3,027,741
Reportable segment profit/(loss) before income tax	**152,354**	(266,604)	**(20,731)**	8,367	**77,481**	74,285	**209,104**	(183,952)
Other information								
Bank interest income	**10,774**	36,738	**54**	17	**926**	3,962	**11,754**	40,717
Depreciation of property, plant and equipment	**3,102**	4,548	**29,709**	31,093	**1,150**	1,309	**33,961**	36,950
Amortisation of land use rights	**–**	–	**21,351**	20,773	**–**	–	**21,351**	20,773
Change in fair value of investment properties	**–**	–	**–**	–	**1,705**	63,236	**1,705**	63,236
Share of results of associates	**–**	(6,845)	**(48,498)**	(8,584)	**–**	–	**(48,498)**	(15,429)
Share of results of a joint venture	**–**	140,540	**–**	–	**–**	–	**–**	140,540
(Loss)/Gain on sale of property, plant and equipment	**(1,132)**	94	**(83)**	(133)	**–**	–	**(1,215)**	(39)
Gain/(Loss) on disposal of subsidiaries	**17,363**	(47,921)	**–**	–	**–**	–	**17,363**	(47,921)
Gain on disposal of investment properties	**–**	–	**–**	–	**–**	4,202	**–**	4,202
Reportable segment Assets	**12,618,389**	18,350,775	**992,017**	1,067,733	**3,654,002**	4,003,029	**17,264,408**	23,421,537
Amounts included in the measure of segment assets:								
Additions to non– current assets *(ii)*	**45,781**	94,160	**539**	–	**5,041**	2,034	**51,361**	96,194
Investment in an associate	**–**	52,647	**18,994**	69,169	**–**	–	**18,994**	121,816
Reportable segment liabilities	**12,595,202**	16,107,872	**85,299**	82,474	**606,129**	1,044,450	**13,286,630**	17,234,796

(i) For the year ended 31 December 2018, included in the revenue of sales of properties, HK$6,215,306,000 was recognised at a point in time, the remaining HK$469,248,000 was recognised over time.

(ii) Amounts comprise additions to investment properties, property, plant and equipment and land use rights.

7. SEGMENT REPORTING *(Continued)*

(b) Reconciliation of reportable segment (loss)/profit before income tax, assets and liabilities

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Reportable segment profit/(loss) before income tax	**209,104**	(183,952)
Fair value gain on the re-measurement of a joint venture	**–**	1,192,852
Unallocated bank interest income	**108**	237
Dividend income from available-for-sale financial assets	**–**	2,767
Dividend income from financial assets at FVOCI	**3,555**	–
Finance costs	**(805,072)**	(749,755)
Unallocated head office and corporate expenses	**(66,160)**	(68,696)
Share-based-payments	**–**	(7,762)
(Loss)/Profit before income tax	**(658,465)**	185,691

	As at 31 December	
Assets	**2018**	2017
	HK$'000	HK$'000
Reportable segment assets	**17,264,408**	23,421,537
Pledged bank deposits	**1,134,638**	857,494
Head office and corporate assets	**69,001**	81,844
Total assets	**18,468,047**	24,360,875

	As at 31 December	
Liabilities	**2018**	2017
	HK$'000	HK$'000
Reportable segment liabilities	**13,286,630**	17,234,796
Borrowings and loans	**2,250,272**	3,089,061
Unallocated head office and corporate liabilities	**142,902**	109,778
Total liabilities	**15,679,804**	20,433,635

7. SEGMENT REPORTING *(Continued)*

(c) Geographical information

At 31 December 2018 and 31 December 2017, the majority of the Group's revenue and non-current assets other than financial instruments and deferred tax assets are located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2018 and 2017.

8. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from the hotel operations, properties rental, management and agency income is summarised as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Sales of properties	**6,684,554**	2,512,153
Hotel operations	**159,846**	166,264
Properties rental, management and agency income	**327,637**	349,324
	7,172,037	3,027,741

9. OTHER (LOSSES)/GAINS-NET

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Bank interest income	**11,862**	40,954
Rental income *(a)*	**6,770**	5,791
Gain on disposal of investment properties	**–**	4,202
Gain/(Loss) on disposal of subsidiaries *(Note 34)*	**17,363**	(47,921)
Loss on settlement of arbitration *(b)*	**(62,858)**	–
Fair value gain on the re-measurement of a joint venture	**–**	1,192,852
Gain on disposal of an associate	**3,739**	–
Dividend income from AFS	**–**	2,767
Dividend income from FVOCI	**3,555**	–
Government grants	**498**	828
Others	**(4,967)**	(42,094)
Total	**(24,038)**	1,157,379

(a) Rental income was derived from leases of certain office units included in properties for sales, which the Group intends to sell.

(b) On 5 September 2018, the Group entered into an agreement with third parties to settle the arbitration in relation to the disposal of certain projects in pervious year (the"Disposal"). Accordingly, a net loss amounted to HK$62,858,000 was recognised to reflect the waive of receivables amounting to HK$123,122,000 offset by the reversal of the related liabilities amounted to HK$60,264,000 in connection with the Disposal, which have been eliminated in accordance with the settlement. Details of the arbitration are disclosed in the announcement of the Company dated 6 September 2018.

10. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Cost of properties sold	**6,190,770**	2,648,489
Tax and levis	**99,675**	129,934
Impairment of properties under development and completed properties held-for-sale	**70,012**	136,055
Employee benefit expense *(Note 11)*	**200,451**	199,418
Auditors' remuneration:		
– Audit services	**2,880**	3,860
– Non-audit services	**300**	1,583
Consulting and service expenses	**50,198**	47,217
Depreciation and amortisation charge *(Note 16, Note 18)*	**55,312**	57,723
Advertising costs	**102,136**	53,225
Operating lease payments	**9,155**	11,037
Maintenance and consumption expenses for hotel business	**76,713**	61,847
Other expenses	**40,034**	87,633
Total	**6,897,636**	3,438,021

11. EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Salaries, wages and bonuses	**198,305**	189,803
Share options granted to employees	**–**	6,210
Pension costs – defined contribution plans	**39,770**	38,065
	238,075	234,078
Less: capitalised in properties under development	**(37,624)**	(34,660)
Total	**200,451**	199,418

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: 1) director whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining 3 (2017:4) individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Salaries and other bonuses	**11,958**	15,352
Contribution to retirement benefits schemes	**342**	299
Share-based payments	**–**	2,325
Total	**12,300**	17,976

11. EMPLOYEE BENEFIT EXPENSE *(Continued)*

(a) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**2**	–
HK$4,500,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	–
HK$7,000,001 – HK$7,500,000	**–**	1

(b) Retirement benefit schemes

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to profit or loss represents contributions payable to the MPF scheme by the Group at rates specified in rules of the MPF scheme.

The Group contributes to a local municipal government retirement scheme for all qualified employees in the PRC. The employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to retirement scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The retirement benefit scheme contributions arising from the PRC municipal government retirement scheme charged to profit or loss represent contributions paid or payable by the Group at rates specified in the rules of the scheme.

12. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Interest expense:		
– Bank borrowings	**361,100**	476,763
– Other borrowings	**681,347**	678,421
Less: amounts capitalised in properties under development at a capitalisation rate of 6.7% (2017: 9.45%) per annum	**(237,375)**	(405,429)
FINANCE COSTS – NET	**805,072**	749,755

13. INCOME TAX EXPENSE

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Current income tax:		
– PRC enterprise income tax	**250,883**	15,157
– PRC land appreciation tax ("LAT")	**205,491**	61,857
Deferred income tax	**(134,663)**	(20,480)
	321,711	56,534

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2018 and 2017.

PRC Enterprise Income Tax

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2017: 25%) during the year ended 31 December 2018.

13. INCOME TAX EXPENSE *(Continued)*

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties（普通標準住房）if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

The tax expense for the year can be reconciled to the (loss)/profit before income tax per the consolidated income statement as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
(Loss)/Profit before income tax	**(658,465)**	185,691
Tax calculated at domestic rates applicable in countries concerned	**(116,405)**	(30,336)
Tax effect of share of results of associates	**12,124**	3,857
Tax effect of share of results of a joint venture	**–**	(23,189)
Effect of higher tax rate for LAT in the PRC	**154,118**	46,392
Tax effect of expenses not deductible for tax purposes	**177,406**	79,690
Tax effect of losses/(gains) not taxable for tax purposes	**9,118**	(199,099)
Tax effect of tax losses not recognised	**105,247**	197,666
Utilisation of tax losses previously not recognised as deferred tax assets	**(38,537)**	(17,283)
Provision/(Reversal) of withholding tax on dividend	**12,233**	(7,096)
Under provision in respect of prior years	**6,407**	5,932
Tax expense	**321,711**	56,534

14. DIVIDENDS

No dividend was proposed for the years ended 31 December 2018 and 2017.

15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
(Loss)/Profit		
(Loss)/Profit attributable to owners of the Company	**(905,485)**	34,400
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK Cent	**HK Cents**
Basic and Diluted (loss)/earnings per share	(6.09)	0.23

Diluted earings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing cost associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Since there was no dilutive ordinary shares during the year ended 31 December 2018, diluted earnings per share is equal to basic earnings per share (2017: Assumed exercise of share options have not been included in the computation of diluted earnings/(loss) per share as they are anti-dilutive for the years ended 31 December 2017).

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel and buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2018					
Cost					
At 1 January 2018	775,196	21,900	13,199	91,251	901,546
Exchange differences	(35,852)	(1,179)	(543)	(4,830)	(42,404)
Additions	29,277	–	1,696	9,794	40,767
Disposals	–	(4,790)	(1,175)	(8,124)	(14,089)
Disposal of subsidiaries	–	(504)	–	(476)	(980)
Transfer from held-to-sale	11,140	1,237	–	3,224	15,601
At 31 December 2018	779,761	16,664	13,177	90,839	900,441
Accumulated depreciation					
At 1 January 2018	199,088	19,620	4,869	61,199	284,776
Exchange differences	(6,798)	(936)	(315)	(3,543)	(11,592)
Provided for the year	22,721	307	4,004	6,929	33,961
Eliminated on disposals	–	(5,055)	–	(6,246)	(11,301)
Disposal of subsidiaries	–	(479)	–	(402)	(881)
Transfer from held-to-sale	5,745	1,173	–	2,851	9,769
At 31 December 2018	220,756	14,630	8,558	60,788	304,732
Net book amount	559,005	2,034	4,619	30,051	595,709

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Hotel buildings HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Total HK$'000
2017					
Cost					
At 1 January 2017	786,971	22,066	10,521	89,159	908,717
Exchange differences	53,066	946	597	7,717	62,326
Additions	–	162	2,081	2,747	4,990
Business combination	–	62	–	1,084	1,146
Disposals	–	(1,336)	–	(9,456)	(10,792)
Transfer to investment property	(64,841)	–	–	–	(64,841)
At 31 December 2017	775,196	21,900	13,199	91,251	901,546
Accumulated depreciation					
At 1 January 2017	169,816	19,211	890	50,955	240,872
Exchange differences	7,076	798	124	5,200	13,198
Provided for the year	23,817	880	3,855	8,398	36,950
Eliminated on disposals	–	(1,269)	–	(3,354)	(4,623)
Transfer to investment property	(1,621)	–	–	–	(1,621)
At 31 December 2017	199,088	19,620	4,869	61,199	284,776
Net book amount	576,108	2,280	8,330	30,052	616,770

As at 31 December 2018, certain property, plant and equipment with net book value of HK$541,688,000 (31 December 2017: HK$596,007,000) are pledged as collateral for the Group's borrowings and loans (Note 29).

17. INVESTMENT PROPERTIES

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
At fair value		
Opening balance at 1 January	**3,326,492**	2,918,991
Exchange differences	**(152,891)**	197,088
Additions	**4,762**	–
Disposals	**–**	(7,722)
Transfer from property, plant and equipment	**–**	70,845
Transfer from completed properties held-for-sale	**–**	84,054
Net gains from fair value adjustment	**1,705**	63,236
Closing balance at 31 December	**3,180,068**	3,326,492

(a) Amounts recognised in profit and loss for investment properties

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Rental income	**128,725**	120,797
Direct operating expenses from property that generated rental income	**(34,666)**	(34,024)
Direct operating expenses from property that did not generate rental income	**(15,375)**	(21,330)
	78,684	65,443

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis

An independent valuation of the Group's investment properties was performed by the valuer, DTZ Debenham Tie Leung Limited ("DTZ"), to determine the fair value of the investment properties as at 31 December 2018. The revaluation gains or losses is included in "Change in fair value of investment properties" in consolidated income statement. The following table analyses the investment properties carried at fair value, by valuation method.

	Fair value measurements at 31 December 2018 using			
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurements				
Investment properties:				
– Shopping malls – Shanghai	–	–	1,224,943	1,224,943
– Car Parking Area– Shanghai	–	93,394	–	93,394
– Shopping malls – Yangzhou	–	–	296,811	296,811
– Shopping malls – Qingdao	–	–	1,026,196	1,026,196
– Shopping malls – Nantong	–	–	538,724	538,724
	–	93,394	3,086,674	3,180,068

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

	Fair value measurements at 31 December 2017 using			
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements				
Investment properties:				
– Shopping malls – Shanghai	–	–	1,276,417	1,276,417
– Car Parking Area– Shanghai	–	98,463	–	98,463
– Shopping malls – Yangzhou	–	–	312,563	312,563
– Shopping malls – Qingdao	–	–	1,071,086	1,071,086
– Shopping malls – Nantong	–	–	567,963	567,963
	–	98,463	3,228,029	3,326,492

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the year.

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2018				
	Shopping malls				
	Shanghai HK$'000	**Yangzhou HK$'000**	**Qingdao HK$'000**	**Nantong HK$'000**	**Total HK$'000**
Opening balance	**1,276,417**	**312,563**	**1,071,086**	**567,963**	**3,228,029**
Exchange differences	**(46,923)**	**(16,105)**	**(55,555)**	**(29,239)**	**(147,822)**
Addition	**–**	**–**	**4,762**	**–**	**4,762**
Net (losses)/gains from fair value adjustment	**(4,551)**	**353**	**5,903**	**–**	**1,705**
Closing balance	**1,224,943**	**296,811**	**1,026,196**	**538,724**	**3,086,674**

	Year ended 31 December 2017				
	Shopping malls				
	Shanghai HK$'000	Yangzhou HK$'000	Qingdao HK$'000	Nantong HK$'000	Total HK$'000
Opening balance	1,079,000	291,230	995,314	461,950	2,827,494
Exchange differences	57,044	22,138	75,772	35,168	190,122
Transfer from property, plant and equipment	–	–	–	70,845	70,845
Transfer from completed properties held-for-sale	84,054	–	–	–	84,054
Disposals	–	(7,722)	–	–	(7,722)
Net gains from fair value adjustment	56,319	6,917	–	–	63,236
Closing balance	1,276,417	312,563	1,071,086	567,963	3,228,029

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 and 2017 by independent professionally qualified valuer who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Accountant. Discussions of valuation processes and results are held between the Chief Accountant, the valuation team and valuer at least once every year. As at 31 December 2018, the fair values of the properties have been determined by DTZ.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the Chief Accountant and the valuation team.

Valuation techniques

For car parking area in Shanghai, the valuation was determined using the direct comparison approach which is based on market observable transactions of similar project.

For certain shopping malls in Shanghai and Nantong and the shopping mall in Qingdao, the valuation was determined using the income approach. For shopping malls in Yangzhou and the remaining shopping malls in Shanghai and Nantong, the valuation was determined using a combination of income approach and direct comparison approach (50% each). Rental prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The valuation was based on significant unobservable inputs. These inputs are summarised as the following tables.

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated balance sheet	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 – Shopping malls in Shanghai Zendai Thumb Plaza located in Pudong, Shanghai	**Level 3**	**Income Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, 4.0% to 5.5% (2017: 4.0% to 5.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB127/sq.m to RMB338/sq.m.(2017: RMB130/ sq.m to RMB326/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 4.5%-6%). (2017:4.5%-6%).	The higher the reversionary yield, the lower the fair value.
Property 2 – Car parking area in Shanghai Zendai Thumb Plaza	**Level 2**	Direct Comparison method based on market observable transactions of similar projects	N/A	N/A

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated balance sheet	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 – Shopping malls in Zendai Xizhen Thumb Plaza located in Qingpu, Shanghai	**Level 3**	**Income Approach and Direct Comparison** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3% to 4%.(2017:3% to 4%)	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB43/sq.m to RMB72/sq.m. (2017: RMB42/sq.m to RMB70/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 4% to 5%.(2017: 4% to 5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB10,082/sq.m.(2017:RMB9,460/sq.m.) for the base level.	The higher the price, the higher the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated balance sheet	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 – Shopping malls in 揚州証大教場 located in Yangzhou City	**Level 3**	**Income Approach and Direct Comparison** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5% (2017: 5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of RMB131/sq.m. (2017: RMB130/sq.m.).	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 5.5% (2017: 5.5%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB20,800/sq.m. (2017: RMB20,100/sq.m.) for the base level.	The higher the price, the higher the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated balance sheet	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 5 – Shopping malls of Qingdao Zendai Thumb Plaza located in Qingdao City	**Level 3**	**Income Approach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield.	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 5.5% to 6.5% (2017: 5.5% to 6.5%).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB71/sq.m. to RMB237/sq.m.. (2017: RMB70/sq.m. to RMB233/sq.m.)	The higher the monthly unit rent, the higher the fair value.
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties range from 6% to 7% (2017: 6% to 7%).	The higher the reversionary yield, the lower the fair value.
Property 6– Shopping malls in 南通壹城壹期 located in Nantong City	**Level 3**	**Income Apporoach** The key inputs are: (1) Capitalisation rate (2) Monthly unit rent (3) Reversionary yield (4) Price per square metre	1) Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of from 4.0% to 5.5% (2017: 4.0% to 5.5%.).	The higher the capitalisation rate, the lower the fair value.
			2) Monthly unit rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design of from RMB59/sq.m. to RMB108/sq.m. (2017: RMB57/sq.m. to RMB103/sq.m.).	The higher the monthly rent, the higher the fair value.

17. INVESTMENT PROPERTIES *(Continued)*

(b) Valuation basis *(Continued)*

Valuation techniques (Continued)

Investment properties held by the Group in the consolidated balance sheet	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
			3) Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of from 4.5% to 6% (2017: 4.5% to 6%).	The higher the reversionary yield, the lower the fair value.
			4) Price per square metre, using market direct comparables and taking into account of location and other individual factors such as road frontage, size of property etc. of RMB16,400/sq.m.. for the base level (2017: RMB17,300/sq.m.).	The higher the price, the higher the fair value.

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

(c) Non-current assets pledged as security

As at 31 December 2018 and 2017, investment properties of the Group with fair values of HK$2,680,346,000 and HK$1,848,204,000, respectively, were pledged as collateral for the Group's borrowings and loans (Note 29).

18. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments in the PRC which are held on leases of 40 years or less. The movement is as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
At beginning of the year	**517,999**	501,459
Amortisation charge	**(21,351)**	(20,773)
Exchange differences	**(25,838)**	37,313
At end of the year	**470,810**	517,999

As at 31 December 2018, a number of land use rights were pledged as collateral for the Group's borrowings and loans (Note 29).

19. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2018:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly
Shanghai Zendai Real Estate Co., Ltd. 上海証大置業有限公司	The PRC, limited liability company	Property development and rental in the PRC	RMB820,000,000	–	100%
Shanghai Zendai Delta Land Real Estate Co., Ltd. 上海証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB400,000,000	–	100%
Shanghai Zendai Himalayas Hotel Management Co., Ltd. 上海証大喜瑪拉雅酒店管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Qingdao Shenlan Deluxe Hotel Management Co., Ltd. 青島深藍複式酒店管理有限公司	The PRC, limited liability company	Property Management in the PRC	RMB1,000,000	–	100%
Shanghai Zendai Xizhen Real Estate Development Co., Ltd. 上海証大西鎮置業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB290,000,000	–	100%
Shanghai Zendai Xizhen Thumb Commercial Management Co., Ltd. 上海証大西鎮大拇指商業經營管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%
Shanghai Zendai Operation & Management Co., Ltd. 上海証大商業經營管理有限公司	The PRC, limited liability company	Properties rental, management and agency services in the PRC	RMB20,000,000	–	100%
Shanghai Zendai Property Management Co., Ltd. 上海証大物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB5,000,000	–	100%
Qingdao Zendai Commercial Traveling and Investment Development Co., Ltd. 青島証大商業旅遊投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB250,000,000	–	100%
Shanghai Zendai Commercial Traveling and Investment Development Co., Ltd. 上海証大商業旅遊投資發展有限公司	The PRC, limited liability company	Hotel operation and properties rental in the PRC	RMB200,000,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	Percentage of ownership interests indirectly
Shanghai Zendai Real Estate Brokerage Co., Ltd. 上海証大房地產經紀有限公司	The PRC, limited liability company	Property agency services in the PRC	RMB2,000,000	–	100%
Qingdao Zendai Thumb Commercial Development Co., Ltd. 青島証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	USD 12,000,000	–	100%
Jiangsu Zendai Commercial Culture Development Co., Ltd. 江蘇証大商業文化發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB50,000,000	–	100%
Jiangsu Junxin Building Material Co., Ltd. 江蘇駿信建材有限公司	The PRC, limited liability company	Property development in the PRC	RMB5,000,000	–	100%
Yantai Zendai Thumb Real Estate Co., Ltd. 煙臺証大大拇指置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB150,000,000	–	70%
Auto Win Investments Limited	British Virgin, limited company	Properties rental in the PRC	USD1	100%	–
Shanghai Zendai Nanjing Property Management Co., Ltd. 上海証大南京物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB1,000,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Nanjing Lifang Real Estate Co., Ltd. 南京立方置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB700,000,000	–	80%
Nanjing Wudaokou Real Estate Co., Ltd. ("Nanjing Wudaokou") 南京五道口置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB100,000,000	–	80%
Nanjing Zendai Sanjiaozhou Real Estate Co., Ltd. ("Nanjing Sanjiaozhou") 南京証大三角洲置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB20,000,000	–	80%
Nantong Zendai Real Estate Co., Ltd. 南通証大置業有限公司	The PRC, limited liability company	Property development and investment in the PRC	RMB100,000,000	–	100%
Nanjing Shuiqingmuhua Real Estate Co., Ltd. ("Nanjing Shuiqingmuhua") 南京水清木華置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB20,000,000	–	80%
Haimen Zendai Binjiang Real Estate CO., Ltd. ("Haimen Binjiang") 海門証大濱江置業有限公司	The PRC, limited liability company	Property development in the PRC	USD49,600,000	–	100%
Haimen Zendai Creative Investment Development Co., Ltd. 海門市証大創意投資發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB3,800,000	–	100%

19. INVESTMENT IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of ownership interests directly	indirectly
Haimen Zendai Binjiang Property Management Co., Ltd. 海門証大濱江物業管理有限公司	The PRC, limited liability company	Property management in the PRC	RMB500,000	–	100%
Nanjing Thumb Commercial Development Co., Ltd. 南京証大大拇指商業發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB1,200,000,000	–	82%
Hainan Huayi Real Estate Co., Ltd. 海南華意置業有限公司	The PRC, limited liability company	Property development in the PRC	RMB88,000,000	–	60%
Yangzhou Zendai Commercial Traveling and Investment Development Co., Ltd. 揚州証大商旅發展有限公司	The PRC, limited liability company	Property development in the PRC	RMB30,000,000	–	80%
Yangzhou Thumb Commercial Management Co., Ltd. 揚州大拇指商業經營管理有限公司	The PRC, limited liability company	Property rental in the PRC	RMB500,000	–	100%

(a) 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.

(b) The total amount of non-controlling interest is HK$74,386,000(2017:HK$140,452,000), which is considered not material to the Group.

20. INTEREST IN ASSOCIATES

(a) Investment in associates

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
At 1 January	**121,816**	55,549
Addition	**–**	78,109
Share of loss	**(48,498)**	(15,429)
Disposal*(i)*	**(53,983)**	–
Exchange differences	**(341)**	3,587
At 31 December	**18,994**	121,816

(i) In 2018, the Group disposed its entire equity interests in Langfang Zhenghetai Real Estate Co., Limited to a third party at a consideration of RMB47,000,000(equivalent to approximately HK$57,722,000). The Group recongise gains on disposal of an associate amounted to HK$3,739,000, including the effect of release of exchange differences on disposal of foreign operations.

Set out below is the associate of the Group as at 31 December 2018. The associate as listed below has registered capital which is held directly by the Group; the country of incorporation or registration is also its principal place of business.

Nature of investment in the associate as at 31 December 2018

Name of entity	Place of business	Particulars of pick-up capital	Percentage of ownership interest	Principal operation
Shanghai Zendai Himalayas Company Ltd. ("Zendai Himalayas") 上海証大喜瑪拉雅有限公司	the PRC	Registered capital RMB633,630,000	45%	Hotel operation

(i) There were no contingent liabilities or capital commitments relating to the Group's investment in the associate.

20. INTEREST IN ASSOCIATES *(Continued)*

(ii) Summarised financial information for material associate

Set out below is the summarised financial information in respect of Zendai Himalayas as at 31 December 2018 which, in the opinion of the directors, is material to the Group. The information below reflects the amounts presented in the financial statements of the associate, adjusted for differences in accounting policies between the Group and the associate, and not the Group's share of those amounts.

Summarised balance sheet	**As at 31 December**	
	2018	2017
	HK$'000	HK$'000
Current assets	**40,230**	2,149,667
Non-current assets	**3,854,657**	4,180,452
Current liabilities	**(619,200)**	(1,427,425)
Non-current liabilities	**(3,154,543)**	(4,580,169)
Net assets	**121,144**	322,525
Included in the above amounts are:		
Cash and cash equivalents	**11,704**	2,118,662
Current financial liabilities (excluding trade and other payable)	**(458,300)**	(1,202,949)
Non-current financial liabilities (excluding other payable and provision)	**(3,154,543)**	(4,580,169)

Summarised statement of comprehensive income	**Year ended 31 December**	
	2018	2017
	HK$'000	HK$'000
Revenue	**359,182**	330,675
Profit/(Loss) from operations	**8,586**	(13,148)
Included in the above amounts are:		
Depreciation and amortisation	**(112,758)**	(111,163)
Interest income	**1,662**	82
Interest expense	**(204,923)**	(126,784)

20. INTEREST IN ASSOCIATES *(Continued)*

(b) Amounts due from an associate

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Amount due from an associate	**257,459**	971,053
Less: non-current portion	**(246,884)**	(249,701)
Current portion	**10,575**	721,352

(i) As at 31 December 2018, amounts due from the associate, were unsecured, interest-free and repayable on demand, which was discounted based on the estimated repayment schedule. An loss of due from an associate amounting to HK$53,684,000 was recognised based on the expected credit losses under HKFRS 9.

(c) Reconciliation of the summarised financial information presented to the carrying amount of its interest in all associates.

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Opening net assets 1 January	**518,303**	518,171
Loss for the period	**(192,245)**	(37,746)
Disposal	**(199,937)**	–
Exchange differences	**(4,977)**	37,878
Closing net assets	**121,144**	518,303
Group's share of net assets of associates	**18,994**	121,816

21. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD-FOR-SALE

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Properties under development	**9,178,477**	11,599,412
Completed properties held-for-sale	**1,822,483**	2,569,976
	11,000,960	14,169,388

During the year of 2018, the impairment provision of HK$70,012,000 (2017: HK$136,055,000 has been recognised mainly attributable to the change in estimated net realisable value of certain completed properties held-for-sale located in the PRC due to current market condition.

As at 31 December 2018, certain properties under development and held-for-sales with carrying amount of HK$4,483,740,000 (31 December 2017: HK$2,843,639,000) are pledged to banks to secure certain borrowings and loans (Note 29) granted to the Group.

Properties under development and held-for-sales which are expected to be recovered in more than twelve months after the end of reporting period are classified under current assets as they are expected to be realised in the Group's normal operating cycle. The amounts of properties under development and for sales that are expected by management to be realised after more than twelve months from the end of reporting period are HK$10,549,607,000 (2017: HK$9,694,097,000).

HK$720,144,000 of costs to fulfil contracts carried forward from prior year was recognised in the current reporting period.

As at 31 December 2018, properties under development included the costs to fulfil contracts amounting to HK$1,067,823,000.

22. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Trade receivables	**43,871**	39,916
Less: provision for impairment of trade receivables	**(424)**	–
Trade receivables-net*(a)*	**43,447**	39,916
Prepayments for turnover tax and others	**574,232**	480,017
Consideration receivables on disposal of subsidiaries	**–**	120,077
Deposits	**16,123**	22,668
	633,802	662,678
Other receivables	**81,747**	92,231
Less: provision for impairment of receivables	**(50,881)**	(48,026)
Other receivables-net	**30,866**	44,205
	664,668	706,883

As at 31 December 2018 and 2017, the majority of the Group's trade and other receivables are dominated in RMB.

The Group generally grants no credit period to its customers on sales of properties, except for certain significat transactions where credit terms or settlement schedules are negotiated on individual basis.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The aging analysis of trade receivables at the end of reporting period is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current *(i)*	**39,116**	34,833
Less than 1 month past due	**188**	702
1 to 3 months past due	**1,043**	599
More than 3 months but less than 12 months past due	**935**	1,955
More than 12 months past due	**2,165**	1,827
Amount past due but not impaired	**4,331**	5,083
	43,447	39,916

(i) The current balance neither past due nor impaired related to a number of customers for whom there was no recent history of default.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
At 1 January	**–**	–
Provision for receivable impairment	**(424)**	–
At 31 December	**(424)**	–

23. DEPOSITS FOR PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Prepayments to property construction contractors	**15,268**	27,337

24. PLEDGED BANK DEPOSITS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current portion	**879,943**	857,494
Non-Current portion	**254,695**	–
	1,134,638	857,494

Pledged bank deposits represent deposits pledged to banks to secure certain borrowings and loans (Note 29) granted to the Group. The pledged bank deposits carry interest ranging from 0.35% to 1.00% per annum (2017: 1.10% to 2.00% per annum).

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Cash on hand	**1,372**	646
Cash at bank	**841,677**	1,419,422
Cash and cash equivalents	**843,049**	1,420,068

As at 31 December 2018 and 2017, the Group had no bank overdrafts balance.

25. CASH AND CASH EQUIVALENTS *(Continued)*

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
RMB	**807,131**	1,372,924
USD	**7,374**	4,049
ZAR	**20,544**	20,169
HK$	**8,000**	22,926
Cash and cash equivalents	**843,049**	1,420,068

26. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

As at 31 December 2017, the assets and liabilities related to Myway Development Limited, Haimen Binjiang, Haimen Zendai Creative Investment Development Co., Ltd.（海門市証大創意投資發展有限公司）, Haimen Zendai Binjiang Property Management Co., Ltd.（海門証大濱江物業管理有限公司）, 100% owned subsidiaries of the Group, have been presented as held-for-sale assets and liabilities.

As at 31 December 2018, the Directors have decided to maintain the ownership of the subsidiaries for future operation, the relavent assets and liabilities have been transferred out from held-for-sale assets and liabilities.

27. FINANCIAL ASSETS AT FAIR VALUE

	FVOCI	FVPL
At 1 January 2018	64,061	7,805
Change in fair value	8,262	–
Acquisition	–	13,366
Disposal	(34,339)	(7,805)
At 31 December 2018	37,984	13,366

	As at 31 December 2018 HK$'000
Equity interests *(a)*	**37,984**
Redeemable investment product issued by financial institutions	**13,366**
	51,350
Less: non-current portion *(a)*	**(37,984)**
Current portion	**13,366**

(a) The balance represents investments in one entity established in the PRC and is classified under non-current assets. In the prior financial year, the Group had designated equity investment as available-for-sale where management intended to hold them for the long-term.

(b) There are no material change in the fair value of the financial assets held by the Group during the year 2018.

(c) Note 4.2 explains the change of accounting policy and the reclassification of these investment from AFS to FVOCI and FVPL.

28. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Trade payables *(a)*	**2,240,884**	1,475,415
Consideration payable for acquisition of land use rights *(b)*	**–**	163,170
Advances received for disposal group classified as held-for-sale	**–**	160,903
Other payables and accruals	**1,460,323**	877,612
	3,701,207	2,677,100
Less: non – current liabilities		
Consideration payable for acquisition of land use rights *(b)*	**–**	(153,564)
Others	**(19,326)**	(33,899)
	3,681,881	2,489,637

(a) The aging analysis of trade payables at the end of reporting period is as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Current or less than 1 month	**1,892,565**	1,165,761
1 to 3 months	**3,880**	228
More than 3 months but less than 12 months	**3,360**	5,375
More than 12 months	**201,985**	230,280
	2,101,790	1,401,644
Retention money	**139,094**	73,771
	2,240,884	1,475,415

The trade payables mainly represent accrued construction costs payable to contractors. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

28. TRADE AND OTHER PAYABLES *(Continued)*

(b) The amount represents consideration for acquisition of land use rights amounting to RMB360,000,000 payable to an independent third party. The balance is repayable in 38 years by annual installments, starting from February 2009. In 2018, the Group entered into angreement with third party to settle the payable with a consideration of RMB188,000,000 (equivalent to approximately HK$214,123,000). The difference derived from the consideration and the balance of the payable was recognised as the finance cost.

29. BORROWINGS AND LOANS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Secured	**4,699,993**	6,153,447
Unsecured	**2,268,793**	3,362,701
	6,968,786	9,516,148

At the end of reporting period, the borrowings and loans were repayable as follows:

	2018	2017
Within one year	**3,140,228**	3,668,501
More than one year, but not exceeding two years	**1,505,298**	3,157,177
More than two years, but not exceeding five years	**1,935,561**	2,561,459
After five years	**387,699**	129,011
Total borrowings and loans	**6,968,786**	9,516,148
Less:		
Amount repayable within one year included in current liabilities	**(3,140,228)**	(3,668,501)
Amount repayable after one year	**3,828,558**	5,847,647

The Group's borrowings and loans bear an interest range from 2.64% to 18.15% per annum (2017: 2.06% to 12.10% per annum).

29. BORROWINGS AND LOANS *(Continued)*

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
6 months or less	**1,914,461**	2,581,257
6-12 months	**1,433,056**	1,805,496
1-5 years	**3,233,570**	5,129,395
over 5 years	**387,699**	–
	6,968,786	9,516,148

As at 31 December 2018, borrowings and loans of HK$4,699,993,000(2017: HK$6,513,447,000) were secured by certain property, plant and equipment (Note 16), investment properties (Note 17), land use right (Note 18) properties under development and completed properties held for sale (Note 21), and pledged bank deposit (Note 24).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
USD	**101,801**	703,906
RMB	**6,866,985**	8,812,242
	6,968,786	9,516,148

The fair value of non-current borrowings approximate their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using rates based on the borrowing rate and are within Level 2 of the fair value hierarchy.

30. TAX PREPAYMENTS/PAYABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Tax prepayments		
PRC Enterprise Income Tax prepayments	**98,592**	114,070
LAT prepayments	**116,575**	157,456
	215,167	271,526

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Tax payables		
PRC Enterprise Income Tax payable	**245,311**	77,335
LAT provision	**164,332**	489,836
	409,643	567,171

31. DEFERRED INCOME TAX

Details of the deferred income tax assets and liabilities recognised and movements during the current and prior years were as follows:

Deferred income tax assets	**Tax losses**	**Other**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2017	25,243	5,835	31,078
Credited to income statement	–	1,120	1,120
Currency translation differences	1,675	490	2,165
At 31 December 2017	26,918	7,445	34,363
Charged to income statement	(26,686)	(1,947)	(28,633)
Currency translation differences	(232)	(264)	(496)
At 31 December 2018	**–**	**5,234**	**5,234**

31. DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities	Revaluation of property, plant and equipment and land use rights HK$'000	Revaluation of investment properties HK$'000	Revaluation of properties for sale HK$'000	Withholding tax on dividend HK$'000	Recognised Revenue over time HK$'000	Total HK$'000
At 1 January 2017	143,579	168,277	50,301	32,517	–	394,674
Currency translation difference	11,851	11,778	8,620	2,181	–	34,430
(Credited)/charged to income statement	(5,095)	15,134	(22,303)	(7,096)	–	(19,360)
Business combination	–	–	537,840	–	–	537,840
At 31 December 2017	150,335	195,189	574,458	27,602	–	947,584
Effect of HKFS 15 Revenue from Contracts with Customers	–	–	–	–	16,909	16,909
At 1 January 2018	150,335	195,189	574,458	27,602	16,909	964,493
Currency translation difference	(7,874)	(8,550)	(31,228)	(3,305)	(476)	(51,433)
(Credited)/charged to income statement	(2,411)	338	(163,304)	12,233	(10,152)	(163,296)
At 31 December 2018	**140,050**	**186,977**	**379,926**	**36,530**	**6,281**	**749,764**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred income tax assets of HK$667,535,000(31 December 2017: HK$638,872,000) in respect of cumulative losses amounting to HK$3,166,412,000(31 December 2017: HK$2,967,036,000) that can be carried forward against future taxable income.

As at 31 December 2018, cumulative losses amounting to HK$1,459,634,000 (31 December 2017: HK$1,210,438,000) can be carried forward indefinitely and the tax losses of HK$1,706,778,000(31 December 2017: HK$1,756,598,000) will expire in five years' time.

32. SHARE CAPITAL

(a) Authorized and issued share capital

Authorized	As at 31 December			
	2018 Number	**2018 HK$'000**	2017 Number	2017 HK$'000
Ordinary shares of HK$0.02 each	**20,000,000,000**	**400,000**	20,000,000,000	400,000

Issued and fully paid	As at 31 December			
	2018 Number	**2018 HK$'000**	2017 Number	2017 HK$'000
Ordinary shares of HK$0.02 each	**14,879,351,515**	**297,587**	14,879,351,515	297,587

(b) Share option scheme

2012 Share option scheme

The Company adopted a share option scheme on 26 June 2012 (the "2012 Share Option Scheme"), for primary purpose of providing incentives to eligible participants. Details of the 2012 Share Option Scheme are as follows:

On 26 June 2012, the Company adopted the 2012 Share Option Scheme which will expire in July 2022. Pursuant to the terms of the 2012 Share Option Scheme, the Company may grant options at a consideration of HK$1 to eligible participants (including directors, shareholders, eligible employees, suppliers and customers of the Company or its subsidiaries) to subscribe for shares in the Company. The exercise price is determined by the directors and shall not be less than the highest of (i) the closing price of the Company's share as quoted on the Stock Exchange on the date of grant, (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant. Options granted are exercisable at any time during a period to be notified by the Board of the Company but limited to a maximum period of ten years after the date on which the options are granted. Options granted should be accepted within 28 days from the date of offer at the consideration of HK$1.

32. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The maximum number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company shall not exceed 1,243,725,152 shares, being 10% of the Company's shares in issue as at the date on which the relevant share option scheme has been adopted. This represents 8.35% of the current issued shares of the Company.

The 2012 Share Option Scheme may be refreshed at any time by the approval of the shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of such shareholders' approval. For the avoidance of doubt, options previously granted under the 2012 Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed or exercised in accordance with the 2012 Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to participants specifically identified by the Company before shareholders' approval is sought.

32. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

Unless approved by the shareholders as set out herein, the total number of the Company's shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's shares in issue. Where any further grant of options to a participant would result in the Company's shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant in aggregate exceeding 1% of the Company's shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his associates abstaining from voting.

However, the overall limit on the number of the Company's shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

During the year, no options have been granted under the 2012 Share Option Scheme (2017: Nil).

As at 31 December 2018, no options were outstanding (2017: 1,242,000,000 options for shares were outstanding, among which 1,242,000,000 shares were vested and exercisable).

Options for 1,242,000,000 shares had lapsed (2017: Nil) during the year ended 31 December 2018.

32. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

The following tables disclose the movements in such share options during the year:

Date of grant	Exercisable period	Exercise Price HK$	Number of shares in respect of the options granted: Outstanding at 1 January 2018	Lapsed during the year	Outstanding at 31 December 2018
Options granted to employees					
26-Oct-15	26 October 2015– 25 October 2018	0.207	497,000,000	(497,000,000)	–
26-Oct-15	26 October 2016– 25 October 2018	0.207	248,500,000	(248,500,000)	–
26-Oct-15	26 October 2017– 25 October 2018	0.207	248,500,000	(248,500,000)	–
			994,000,000	(994,000,000)	–
Options granted to service suppliers					
26-Oct-15	26 October 2015– 25 October 2018	0.207	124,000,000	(124,000,000)	–
26-Oct-15	26 October 2016– 25 October 2018	0.207	62,000,000	(62,000,000)	–
26-Oct-15	26 October 2017– 25 October 2018	0.207	62,000,000	(62,000,000)	–
			248,000,000	(248,000,000)	–
			1,242,000,000	(1,242,000,000)	–
Weighted average exercise price (HK$)			0.207	0.207	–

32. SHARE CAPITAL *(Continued)*

(b) Share option scheme *(Continued)*

Date of grant	Exercisable period	Exercise Price HK$	Number of shares in respect of the options granted: Outstanding at 1 January 2017	Granted during the year	Outstanding at 31 December 2017
Options granted to employees					
26-Oct-15	26 October 2015– 25 October 2018	0.207	497,000,000	–	497,000,000
26-Oct-15	26 October 2016– 25 October 2018	0.207	248,500,000	–	248,500,000
26-Oct-15	26 October 2017– 25 October 2018	0.207	248,500,000	–	248,500,000
			994,000,000	–	994,000,000
Options granted to service suppliers					
26-Oct-15	26 October 2015– 25 October 2018	0.207	124,000,000	–	124,000,000
26-Oct-15	26 October 2016– 25 October 2018	0.207	62,000,000	–	62,000,000
26-Oct-15	26 October 2017– 25 October 2018	0.207	62,000,000	–	62,000,000
			248,000,000	–	248,000,000
			1,242,000,000	–	1,242,000,000
Weighted average exercise price (HK$)			0.207	–	0.207

33. LEASES

Operating leases – lessee

The lease payments recognised as expenses and costs are as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Minimum lease payments	**31,159**	40,239

The total future minimum lease payments are due as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Not later than one year	**33,798**	33,502
Later than one year and not later than five years	**78,589**	81,532
Later than five years	**18,788**	34,840
	131,175	149,874

Operating lease payments in respect of rented premises payable by the Group relate to certain commercial properties for sub-letting and certain of its office premises. Leases are usually negotiated for an average term of two to ten years.

33. LEASES *(Continued)*

Operating leases – lessor

The Group's investment properties and certain properties for sales are leased to a number of tenants for leasing period from 3 to 20 years.

The minimum rent receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Not later than one year	**187,170**	128,948
Later than one year and not later than five years	**533,593**	580,764
Later than five years	**179,411**	264,964
	900,174	974,676

34. DISPOSAL OF SUBSIDIARIES

Disposal of entire interests in subsidiaries

In 2018, the Group disposed its entire interests in Ordos Zendai Real Estate Development Co.,Ltd ("Ordos Zendai", 鄂爾多斯市房地產開發有限公司) to a third party at a total consideration of HK$245,154,000.

In 2018, the Group disposed its entire interests in Hainan New Development Co.,Ltd ("Hainan New Development", 海南新世界發展有限公司) to a third party at a total consideration of HK$142,712,000.

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

Disposal of entire interests in subsidiaries *(Continued)*

The effect of disposal of the subsidiaries on the equity attribute to owners of the Company during the period is summarised as follows:

	Year ended 31 December 2018 HK$'000
Proceeds received in cash on disposal of the subsidiaries	**288,777**
Advance received on disposal of subsidiaries	**99,089**
Release of exchange differences on disposal of subsidiaries	**(31,548)**
Carrying value of the subsidiaries' net assets disposed – shown as below	**338,955**
Gain on disposal of the subsidiaries	**17,363**

The assets and liabilities of the disposed subsidiaries are as follows:

	Carrying value HK$'000
Property, plant and equipment	99
Properties under development and completed properties held-for-sale	412,787
Deposits for property development	15,714
Trade and other receivables	75,873
Tax prepayments	998
Cash and cash equivalents	39,901
Trade and other payables	(79,779)
Contract liabilities	(63,110)
Tax payables	(63,528)
Net assets disposed	**338,955**
Inflow of cash to dispose subsidiaries, net of cash disposed	
Proceeds received in cash	288,777
Cash and cash equivalents in subsidiaries disposed	(39,901)
Net cash inflow on disposal	**248,876**

35. RELATED PARTY TRANSACTIONS/BALANCES

As at 31 December 2018, Smart Success Capital Ltd., as the substantial shareholder of the Company, held 18.17% in the issued shares of the Company.

Smart Success Capital Ltd. is indirectly controled by China Orient Asset Management (International) Holding Limited ("COAMI"), which is ultimately held by China Orient Asset Management Co., Ltd..

In addition to those disclosed elsewhere in the financial statements, the Group had entered into the following significant transactions and had balances with related parties:

(a) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Short-term benefits	**24,933**	21,018
Post-employment benefits	**282**	320
Share-based-payment expenses	**–**	1,550
	25,215	22,888

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

(b) Other related party transactions

As at 31 December 2018, COAMI provided guarantees on certain borrowings of the Group amounting to HK$1,687,099,000 (31 December 2017: HK$1,779,539,000). During the year, the service fee relating to the guarantees amounting to HK$83,709,000 (2017: HK$112,862,000) was accrued by the Group.

35. RELATED PARTY TRANSACTIONS/BALANCES *(Continued)*

(c) Balances with related parties

	Amounts owed to the Group by related parties As at 31 December		Amounts owed by the Group to related parties As at 31 December	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Amounts due from an associate *(iii)*	**257,459**	971,053	**–**	–
Balances included in amounts due to minority owners of subsidiaries *(i)*	**–**	–	**460,543**	605,616
Entrusted loans from a related party *(ii)*	**–**	–	**569,476**	1,571,154

(i) As at 31 December 2018, the amount of HK$460,543,000 due to minority owner of a subsidiary, which borne interest at 12% per annum, was matured and presented as current liabilities accordingly. The minority owner is a subsidiary of COAMI. As at the approval date of this financial statements, the Group is in the process of negotiating with the related party for a renewal of the loan.

(ii) As at 31 December 2018, the amout of HK$569,476,000 entrusted loans from a related party, Shenzhen Qianhai Orient Venture Financial Holdings Co., Ltd. ("Shenzhen Qianhai",深圳前海東方創業金融控股有限公司), which borne interest rate was 12.1% per annum, was matured and presented as current liabilities accordingly. Shenzhen Qian hai is a subsidiary of COAMI. As at the approval date of this financial statements, the Group is in the process of negotiating with the related party for a renewal of the loan.

(iii) During the year of 2018, the impairment provision of HK$53,684,000 for amounts due from an associate has been recognised.

Except for balances included in amounts due to minority owners of subsidiaries and entrusted loans from a related party, all other balances with related parties were unsecured, interest-free and repayable on demand, which are cash advances in nature.

36. FINANCIAL GUARANTEES

The Group had the following financial guarantees as at 31 December 2018 and 2017:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Guarantees in respect of mortgage facilities for certain purchasers	**988,658**	763,552

As at 31 December 2018 and 31 December 2017, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties, net of mortgages received and included in receipts in contract liabilities. Pursuant to the terms of the guarantees, upon default in mortgage payments by the respective purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends when the property purchasers obtain the "property title certificate" which is then to be pledged with the banks.

37. COMMITMENTS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Commitments in respect of properties under development and investment properties – contracted for but not provided	**5,003,500**	7,407,543
Commitments for acquisition of subsidiaries – contracted for but not provided *(a)*	**1,693,280**	2,825,226

(a) In August 2015, the Group entered into equity transfer agreements with a third party to acquire the entire equity interests of six real estate project companies which possess certain land parcels located in Nanjing, the PRC. As at 31 December 2018, the transaction was not completed since certain land parcels were not ready for delivery. The consideration of the remaining four real estate project companies to be acquired is RMB1,486,700,000 (equivalent to HK$1,693,280,000), which is required to be paid upon the completion of transfer of equity interests in the remaining four companies.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the Group's financial assets and liabilities by category:

	Loans and receivables HK$'000	**Financial assets at fair value HK$'000**	**Total HK$'000**
Assets			
As at 31 December 2018			
Financial assets at FVPL	**–**	**13,366**	**13,366**
Financial assets at FVOCI	**–**	**37,984**	**37,984**
Trade and other receivables excluding prepayments	**90,436**	**–**	**90,436**
Pledged bank deposits	**1,134,638**	**–**	**1,134,638**
Cash and cash equivalents	**843,049**	**–**	**843,049**
Amounts due from an associate	**257,459**	**–**	**257,459**
	2,325,582	**51,350**	**2,376,932**

	Loans and receivables HK$'000	Available for sale financial assets HK$'000	Total HK$'000
Assets			
As at 31 December 2017			
Available-for-sale financial assets	–	71,866	71,866
Trade and other receivables excluding prepayments	226,866	–	226,866
Pledged bank deposits	857,494	–	857,494
Cash and cash equivalents	1,420,068	–	1,420,068
Amounts due from an associate	971,053	–	971,053
	3,475,481	71,866	3,547,347

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Other financial liabilities at amortised method HK$'000
Liabilities	
As at 31 December 2018	
Borrowings and loans	**6,968,786**
Trade and other payables excluding tax payables	**3,331,539**
Amounts due to minority owners of subsidiaries	**570,966**
	10,871,291
As at 31 December 2017	
Borrowings and loans	9,516,148
Trade and other payables excluding tax payables	2,611,838
Amounts due to minority owners of subsidiaries	719,749
	12,847,735

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

		As at 31 December	
	Note	**2018 HK$'000**	2017 HK$'000
Assets			
Non-current assets			
Investments in subsidiaries		**898,546**	1,027,473
Property, plant and equipment		**621**	916
		899,167	1,028,389
Current assets			
Amounts due from subsidiaries		**3,334,511**	3,218,629
Other receivables		**34,072**	34,642
Cash and cash equivalents		**25,254**	25,912
		3,393,837	3,279,183
Total assets		**4,293,004**	4,307,572
Equity and liabilities			
Equity attributable to owners of the company			
Share capital		**297,587**	297,587
Share premium		**2,164,700**	2,164,700
Other reserves	*(a)*	**226,912**	289,012
(Accumulated losses)/Retained earnings	*(a)*	**(69,879)**	81,093
Total equity		**2,619,320**	2,832,392

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

		As at 31 December	
		2018	2017
	Note	**HK$'000**	HK$'000
Liabilities			
Current liabilities			
Amounts due to subsidiaries		**1,569,561**	620,490
Other payables		**2,322**	150,784
Borrowings and loans		**101,801**	703,906
		1,673,684	1,475,180
Total liabilities		**1,673,684**	1,475,180
Total equity and liabilities		**4,293,004**	4,307,572

The balance sheet of the Company was approved by the Board of Directors on 28 March 2019 and was signed on its behalf.

Qiu Haibin	**Zhang Huagang**
Director	*Director*

39. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(Continued)

Balance sheet of the Company *(Continued)*

(a) Reserve movement of the Company

	Other reserves HK$'000	Retained earnings/ (Accumulated losses) HK$'000
At 1 January 2017	281,250	(375,234)
Profit for the year	–	456,327
Grant of share options	7,762	–
At 31 December 2017	289,012	81,093
At 1 January 2018	**289,012**	**81,093**
Loss for the year	**–**	**(213,072)**
Release upon lapse of share options	**(62,100)**	**62,100**
At 31 December 2018	**226,912**	**(69,879)**

40. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2018:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:					
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Sub-Total HK$'000	Non-cash settled share option expenses HK$'000 *(Note (a)(vi))*	Total HK$'000
Executive directors and chief executive:						
Mr. Qiu Haibin	–	929	18	947	–	947
Mr. Qin Renzhong *(Note(a)(i))*	–	–	–	–	–	–
Mr. Wang Quan *(Note(a)(i))*	–	–	–	–	–	–
Mr. Zhang Huagang *(Chief Executive)*	–	6,087	18	6,105	–	6,105
Mr. Tang Jian	–	4,581	18	4,599	–	4,599
Non-executive directors:						
Ms. Wang Zheng	600	–	–	600	–	600
Mr. Gong Ping	600	–	–	600	–	600
Ms. Jiang Zhengyan	600	–	–	600	–	600
Independent non-executive directors:						
Mr. Chow, Alexander Yue Nong	600	–	–	600	–	600
Dr. Xu Changsheng	600	–	–	600	–	600
Mr. Ng Man Kung	600	–	–	600	–	600
Mr. How Sze Ming	600	–	–	600	–	600
Dr. Di Ruipeng	600	–	–	600	–	600
Total	4,800	11,597	54	16,451	–	16,451

40. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2017:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:					
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Sub-Total HK$'000	Non-cash settled share option expenses HK$'000	Total HK$'000
Executive directors and chief executive:						
Mr. Qiu Haibin	–	235	5	240	–	240
Mr. Wang Quan	–	–	–	–	–	–
Mr. Zhang Huagang *(Chief Executive)*	–	1,264	5	1,269	–	1,269
Mr. Tang Jian	–	4,150	18	4,168	775	4,943
Dr. Wang Hao	–	–	–	–	–	–
Mr. Zhang Chenguang	–	–	–	–	–	–
Mr. Zhong Guoxing	–	–	–	–	–	–
Ms. Li Li Hua	–	2,373	69	2,442	–	2,442
Non-executive directors:						
Ms. Wang Zheng	131	–	–	131	–	131
Mr. Gong Ping	150	–	–	150	–	150
Ms. Jiang Zhengyan	150	–	–	150	–	150
Mr. Pan Wen	–	–	–	–	–	–

40. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2017: *(Continued)*

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:					
	Fees HK$'000	Salary and bonus HK$'000	Employer's contribution to pension scheme or retirement benefit scheme HK$'000	Sub-Total HK$'000	Non-cash settled share option expenses HK$'000	Total HK$'000
Independent non-executive directors:						
Mr. Chow, Alexander Yue Nong	330	–	–	330	–	330
Dr. Xu Changsheng	330	–	–	330	–	330
Mr. Ng Man Kung	235	–	–	235	–	235
Mr. How Sze Ming	235	–	–	235	–	235
Dr. Di Ruipeng	235	–	–	235	–	235
Mr. Lai Chik Fan	96	–	–	96	–	96
Mr. Li Man Wai	96	–	–	96	–	96
Total	1,988	8,022	97	10,107	775	10,882

40. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

For the year ended 31 December 2018 and 2017, no housing allowance, estimated money value of other benefits, remunerations paid or receivable in respect of accepting office as director, emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking were provided by the Group to directors or chief executive.

Notes:

(i) Mr. Wang Quan resigned and Mr. Qin Renzhong was appointed as executive director on 29 June 2018.

(ii) Directors' retirement benefits and termination benefits.

None of the directors received retirement benefits or termination benefits for the year ended 31 December 2018.

(iii) Consideration provided to third parties for making available directors' services.

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by such directors and connected entities with such directors.

For the year ended 31 December 2018, the Group did not provide loans, quasi-loans and other dealings in favour of directors.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(vi) The three-year options for shares were granted to certain eligible employees and service suppliers by the Group in 2015. Among which, 50% of the entire entitlement were exercisable upon the grant while up to 75% of the entire entitlement were exercisable by the end of the first year and the full entitlement was exercisable by the end of the second year. Such options have been measured at fair value on the grant date, and the fair value will be accounted for as non-cash settled share-based payment of the Company and accrued as expense proportionally over the vesting period. During the year, there is no non-cash settled share-based payment expenses was apportioned to the Directors. The exercise price of the options exceeds the average market price of the share of the Company during the year. Meanwhile, no share option was exercised from the grant date to 31 December 2018, and all of the share options was lapsed in October 2018.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2018

The following table summarises the results, assets and liabilities of the Group for the last five years.

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**7,172,037**	3,027,741	1,943,579	1,787,475	1,579,612
(Loss)/Profit before tax expenses	**(658,465)**	185,691	(908,562)	(1,052,889)	(916,090)
Tax (expenses)/credit	**(321,711)**	(56,534)	(213,666)	2,441	422,622
(Loss)/Profit for the year	**(980,176)**	129,157	(1,122,228)	(1,050,448)	(493,468)

ASSETS AND LIABILITIES

	At 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**18,468,047**	24,360,875	21,235,753	21,343,084	21,254,035
Total liabilities	**(15,679,804)**	(20,433,635)	(17,964,365)	(16,694,015)	(14,977,093)
Non-controlling interests	**(74,386)**	(140,452)	(27,289)	(216,182)	(360,234)
Balance of shareholders' funds	**2,713,857**	3,786,788	3,244,099	4,432,887	5,916,708