C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1224

Annual Report 2018

Contents

Corporate Information

DIRECTORS

Executive directors
Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Wong Chi Keung *(Deputy Chairman)*
Mr. Leung Chun Cheong
Mr. Leung Wai Fai

Independent non-executive directors
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey *(Chairman)*
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

NOMINATION COMMITTEE

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

REMUNERATION COMMITTEE

Mr. Leung Yu Ming Steven *(Chairman)*
Mr. Cheung Chung Kiu
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Dr. Wong Lung Tak Patrick

AUTHORISED REPRESENTATIVES

Dr. Lam How Mun Peter
Mr. Leung Chun Cheong

COMPANY SECRETARY

Ms. Cheung Fung Yee

WEBSITE

www.ccland.com.hk

STOCK CODE

1224

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Hong Kong
Cheung Tong & Rosa Solicitors

Bermuda
Conyers Dill & Pearman

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08, Bermuda

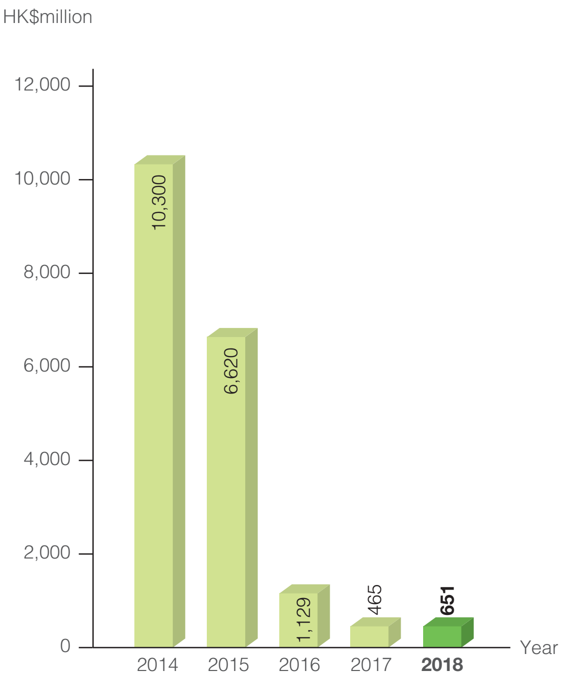
Hong Kong branch share registrar and transfer office
Tricor Secretaries Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
ING Bank N.V., London Branch
The Bank of East Asia, Limited
Wing Lung Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

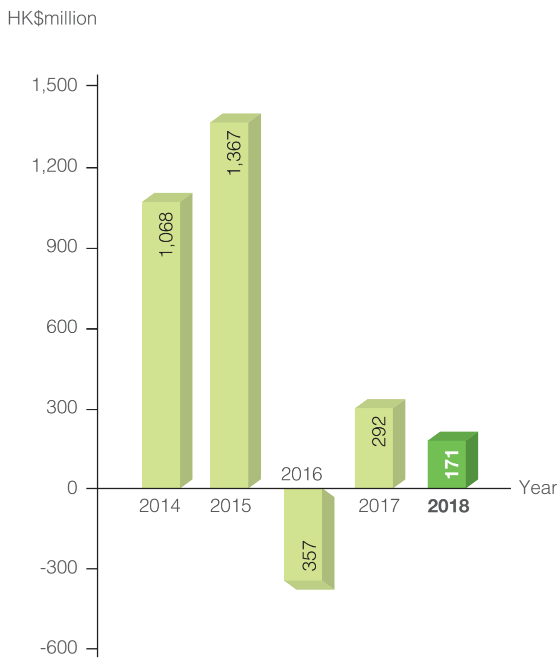
REVENUE

Year ended 31 December



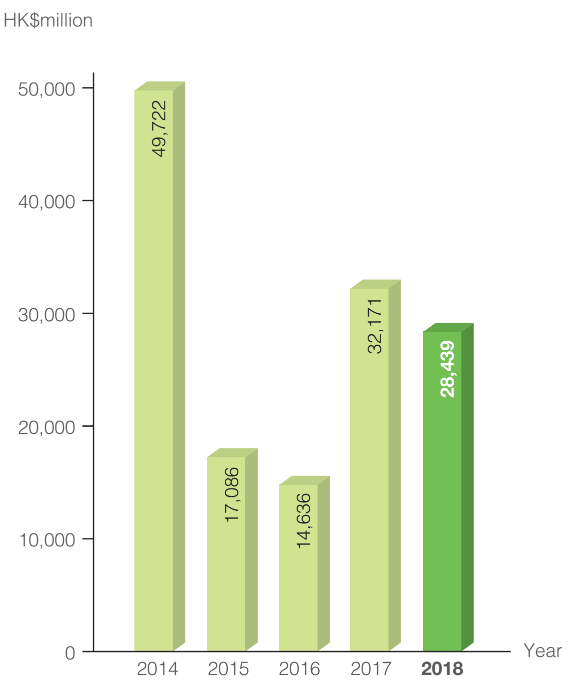
PROFIT/LOSS ATTRIBUTABLE TO SHAREHOLDERS

Year ended 31 December



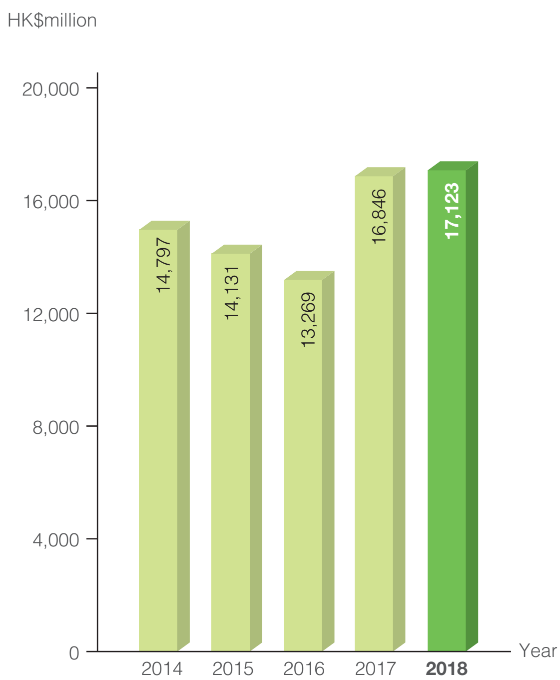
TOTAL ASSETS

As at 31 December



SHAREHOLDERS' EQUITY

As at 31 December



Directors' Profile

EXECUTIVE DIRECTORS

Mr. CHEUNG Chung Kiu, aged 54, was first appointed Executive Director of the Company on 22 June 2000 and became Chairman on 22 November 2006. He also serves as a Director of several subsidiaries of the Company. As Chairman, Mr. Cheung oversees the Group's entire business and is responsible for leading the Board and managing its work to ensure that the Board effectively operates and fully discharges its responsibilities. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of property development and investment experience mainly in Hong Kong and in the PRC as well as other mature cities globally including London and Sydney. In addition, Mr. Cheung is the founder and chairman of Yugang International Limited ("Yugang"), chairman and managing director of Y. T. Realty Group Limited ("Y.T. Realty") and chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), the shares of all these companies are listed on the Stock Exchange. He is also a director of Regulator Holdings Limited, Yugang International (B.V.I.) Limited, Chongqing Industrial Limited, Palin Holdings Limited, Thrivetrade Limited and Fame Seeker Holdings Limited, which are companies disclosed under the section headed "Discloseable Interests and Short Positions of Shareholders under the SFO" on page 31.

Dr. LAM How Mun Peter, aged 71, was first appointed Executive Director of the Company on 3 June 1998 and became Managing Director and Deputy Chairman on 9 April 1999 and 22 November 2006 respectively. Dr. Lam was a founder of the Group established in 1989. He also serves as a Director of several subsidiaries of the Company. As Managing Director, Dr. Lam oversees the Group's business and is responsible for overseeing the Group's day-to-day management, recommending strategies to the Board, and determining and implementing operational decisions. Dr. Lam graduated from the University of Hong Kong with a bachelor's degree in Medicine and Surgery in 1972. He is a fellow of the Royal College of Surgeons of Edinburgh and the American College of Surgeons. In addition to his extensive experience in medical practice, Dr. Lam has over 30 years of extensive experience in corporate management, real estate and investment.

Mr. WONG Chi Keung, aged 63, was appointed Executive Director and Deputy Chairman of the Company on 1 March 2016. He also serves as a Director of several subsidiaries of the Company. Mr. Wong oversees the Group's property development and investment business and is responsible for recommending investment strategies to the Board. He holds a degree of Doctor of Philosophy in Business from Honolulu University and is a professional member of the Royal Institution of Chartered Surveyors, and a member of The Hong Kong Institute of Housing and the Chartered Institute of Housing. He is a fellow member of Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held senior executive positions with various leading property companies and property consultant firms in Hong Kong in the past 30 years. In addition, Mr. Wong is currently an executive director of Cross-Harbour and an independent non-executive director of Water Oasis Group Limited, the shares of which are also listed on the Stock Exchange.

Mr. LEUNG Chun Cheong, aged 69, was appointed Executive Director of the Company on 3 June 1998. He also serves as a Director of several subsidiaries of the Company. Mr. Leung has joined the Group since 1995. He is mainly responsible for overseeing the Group's financial management and financial functions and governance. Prior to joining the Group, Mr. Leung had held senior positions in various companies and in the professional field in Hong Kong. He has over 35 years of extensive experience in auditing and financial management. Mr. Leung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Wai Fai, aged 57, was appointed Executive Director of the Company on 3 December 1999. He also serves as a Director of several subsidiaries of the Company. Mr. Leung is mainly responsible for the financial planning of the Group's business as well as overseeing its corporate finance and management. Graduated from the University of Wisconsin-Madison, the United States of America with a bachelor's degree in Business Administration in 1985, Mr. Leung is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. He has over 30 years of extensive experience in planning and advisory as well as accounting and financial reporting. In addition, Mr. Leung is an executive director of Cross-Harbour.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kin Fung Jeffrey, GBS, JP, aged 67, was appointed Independent Non-executive Director of the Company on 3 June 1998. Mr. Lam holds a Bachelor Degree in mechanical engineering from Tufts University in the United States. He has over 30 years of experience in the toy industry and is currently the Managing Director of Forward Winsome Industries Limited which is engaged in toy manufacturing. Mr. Lam was awarded a Gold Bauhinia Star by the Government of the HKSAR in 2011. He also holds a number of public and community service positions including Member of the National Committee of the Chinese People's Political Consultative Conference, Member of the Legislative Council and Non-Official Member of the Executive Council in Hong Kong, Chairman of Independent Commission Against Corruption Complaints Committee, Director of The Hong Kong Mortgage Corporation Limited, Board Member of the Airport Authority Hong Kong, and General Committee Member of the Hong Kong General Chamber of Commerce. In addition, Mr. Lam is an independent non-executive director of Wynn Macau, Limited, China Overseas Grand Oceans Group Ltd., Chow Tai Fook Jewellery Group Limited, CWT International Limited, i-CABLE Communications Limited and Wing Tai Properties Limited, the shares of all these companies are listed on the Stock Exchange.

Mr. LEUNG Yu Ming Steven, aged 59, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung holds a Degree of Master in Accountancy from Charles Sturt University in Australia and a Degree of Bachelor of Social Sciences from the Chinese University of Hong Kong. He is an associate of the Institute of Chartered Accountants in England and Wales, a certified practicing accountant of CPA Australia and a fellow of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. Mr. Leung is a practicing certified public accountant in Hong Kong. He previously worked in Nomura International (Hong Kong) Limited as Assistant Vice-President in the International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner of a firm of certified public accountants. He has over 30 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Yugang, Y.T. Realty and Cross-Harbour, the shares of all these companies are listed on the Stock Exchange.

Dr. WONG Lung Tak Patrick, BBS, JP, aged 71, was appointed Independent Non-executive Director of the Company on 1 October 2007. Dr. Wong is a Certified Public Accountant (Practicing) and a Certified Tax Adviser in Hong Kong and also a Chartered Secretary in the United Kingdom and in Hong Kong. He is currently the Managing Practising Director of Patrick Wong CPA Limited. He has over 40 years experience in the accountancy profession. Dr. Wong holds a Doctor of Philosophy in Business degree, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star by the Government of the HKSAR in 2010. Dr. Wong is an independent non-executive director of Galaxy Entertainment Group Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, Winox Holdings Limited, 北京汽車股份有限公司 (BAIC Motor Corporation Limited) and Li Bao Ge Group Limited, the shares of all these companies are listed on the Stock Exchange.

Chairman's Statement

To our shareholders,

I am pleased to present the annual results of the Group for the year ended 31 December 2018.

For the year ended 31 December 2018, the Group achieved a consolidated revenue of HK$651.1 million, representing an increase of approximately 40.2% compared to HK$464.6 million in 2017. The Group's net profit for the year was HK$171.1 million (2017: HK$291.9 million). The profit attributable to shareholders for the year was HK$171.1 million (2017: HK$291.9 million). The basic earnings per share for the year was HK4.41 cents (2017: HK8.42 cents).

BUSINESS REVIEW

The Group started to build its global property portfolio since early 2017, and now has both investment, and development projects in the United Kingdom, Australia, Hong Kong and Mainland China.

The Group had carefully chosen the right markets to position its investments to make sure that the investments would remain sound and healthy. Its decisions proved to be right over the year as the London office market remained strong. The demand for office space in the financial district is as strong as ever. Both of the Group's high quality commercial investment properties in London, namely The Leadenhall Building and One Kingdom Street, achieved 100% occupancy during the year.

The Christie Street building which is located in the prominent area of North Sydney, Australia, is also fully leased out. The Group bought the Christie Street building realizing there was an opportunity to enhance its value by undertaking subsequent refurbishment work to make the building much more attractive, so much so that the Group ended up disposing of the building at a total profit of approximately HK$54 million from this investment, out of which HK$24 million was recognized in 2018. Looking elsewhere and utilizing the sales proceeds, the Group has identified a similar opportunity to acquire another office building with a long-term potential, this time in Melbourne: in December 2018, the Group added to its portfolio a freehold B-grade commercial building with lettable area of 110,000 sqf within the Melbourne CBD, Australia. The acquisition in which the Group has an effective interest of 41.9% is expected to be completed in the first half of 2019. The plan is to reposition the asset as a high quality A-grade office building after refurbishment.

The uncertainties of Brexit, pace of interest rate hike, and the US-China trade war and other issues have a significant impact on the growth of the global economies. The Group's business has remained in good shape despite the uncertain market conditions, with a portfolio of investment properties matched to customer needs and with conservative gearing.

The Group has continued to execute its investments well. Construction work for Phase I development of Nine Elms Square, which is situated at the South Bank of the River Thames, was commenced.

The Group invested in three property projects in the PRC with local joint venture partners. In Hong Kong, the Group through its 25% owned joint venture entered into an agreement in June 2018 to acquire a waterfront landmark commercial building in Kowloon Bay, the OCTA Tower, with approximately 795,000 sqf marketable gross floor area which is almost fully let. The acquisition was concluded in August 2018. The building will be up-graded and refurbished for value appreciation in order to match the rising expectations of the tenants and the strong but unmet demand for office space in the district.

The Group rescinded the acquisition of the Leadenhall Triangle Project in London due to non-completion of conditions precedent by the vendor.

OUTLOOK

With interest rates steadily rising, and as the UK prepares for its exit from the European Union, investment and leasing volumes in the London property market have become more constrained. The Group is prepared for the uncertainty with conservative gearing, noting that demand for high quality office space will remain strong as supply of office space in prime location is limited. With its quality investment portfolio in London, the Group expects stable demand would enable it to maintain full occupancy.

Looking ahead, the Group believes London will continue to be a global city with long standing attraction for business. Hong Kong's rental property market will remain stable given moderate economic growth in the city. Backed by its experience and resources, the Group is working on a number of potential acquisitions in London and other matured economies and is ready to invest when the right opportunities arise. Through its leasing and rent review experience, the Group will work closely with its tenants to understand their requirements with the objective to maintain strong take-up in its leasing business.

The Group is also looking at opportunities for development projects to generate revenue and profits from property sales. Local partners will be identified to make sure local expertise is available to deal with any local market challenges. It is believed that a balanced property portfolio with both stable recurring rental income and property sales revenue will provide a satisfactory return to our shareholders.

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to the Board, management and staff for their diligence, loyalty and dedication. I am grateful to our shareholders, strategic partners and bankers for their support and trust which have contributed towards the Group's success.

Cheung Chung Kiu
Chairman

Hong Kong, 22 March 2019

RESULTS

The Group achieved a consolidated revenue of HK$651.1 million, representing an increase of approximately 40.2% compared to HK$464.6 million in 2017. The Group's net profit for the year was HK$171.1 million (2017: HK$291.9 million). The profit attributable to shareholders for the year was HK$171.1 million (2017: HK$291.9 million). The basic earnings per share for the year was HK4.41 cents (2017: HK8.42 cents).

FINAL DIVIDEND

The directors are pleased to recommend a final dividend of HK$0.02 (2017: HK$0.02) per ordinary share to shareholders who are registered on the Register of Members of the Company at the close of business on 28 May 2019. Subject to approval at the Company's forthcoming AGM, dividend warrant will be sent to shareholders on or about 6 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 15 May 2019 to Monday, 20 May 2019, both days inclusive, for determining the eligibility of shareholders for attending and voting at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m., Tuesday, 14 May 2019.

The Register of Members of the Company will also be closed from Friday, 24 May 2019 to Tuesday, 28 May 2019, both days inclusive, for determining the eligibility of shareholders for the proposed final dividend. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Secretaries Limited of above address no later than 4:30 p.m., Thursday, 23 May 2019.

BUSINESS REVIEW

The Group recorded a revenue of HK$651.1 million in 2018, an increase of 40.2% when compared to HK$464.6 million in 2017. The increase in revenue was due to the strategic deployment of Group's resources to build up an international investment property portfolio in the previous year, creating a stable recurrent rental income of HK$490.1 million against HK$342.9 million in 2017, representing an increase of 42.9%. The Group recorded a full year net profit of HK$171.1 million (2017: HK$291.9 million, after taking into account of the one-off gain of HK$101.6 million resulting from the rental top up received from the vendors of The Leadenhall Building and HK$84.7 million on disposal of a joint venture).

The treasury investment segment recorded a realized profit of HK$72.8 million (2017: realized loss of HK$4.2 million) and a fair value loss of HK$119.7 million (2017: HK$83.1 million) from its investment portfolio covering both equity shares and fund investments during the year.

Revenue and Operating Profit

Total revenue amounted to HK$651.1 million (2017: HK$464.6 million) which represents an increase of 40.2% compared with that of the previous year. This includes a total rental income of HK$490.1 million (2017: HK$342.9 million), accounting for 75.3% (2017: 73.8%) of the Group's total revenue.

The rental income increase was due to the recognition of a full year rental income from the core investment properties in London, One Kingdom Street and, The Leadenhall Building.

The profit attributable to shareholders was HK$171.1 million (2017: HK$291.9 million).

Investment Properties

As at 31 December 2018, the Group owned two commercial properties in London, the United Kingdom, namely The Leadenhall Building, and One Kingdom Street.

With regards to joint venture operation, just before the year end the Group's 34.55% owned joint venture completed the disposal of the office building at 72 Christie Street, St Leonards, Sydney, Australia at a pretax profit of approximately AUD45 million (AUD15.5 million attributable to the Group). Shortly thereafter, the Group re-invested the sales proceeds in the acquisition of an office building with a lettable area of approximately 110,000 sqf in the Melbourne CBD, Australia. The acquisition, at a cost of approximately AUD112 million, is due to be completed in the first half of 2019. In this project, the Group has an effective interest of 41.9%.

During the year 2018, the Group received a total rental income of HK$490.1 million (2017: HK$342.9 million) from its investment properties in London.

United Kingdom

The Leadenhall Building

The Leadenhall Building is an iconic award-winning building situated in the prime financial and insurance districts of London. The building was completed in 2014 and was acquired by the Group in May 2017. It is a trophy asset of the Group and will be held by the Group as an investment property for long term capital growth. It has 46 floors and carries approximately 610,000 sqf of office and retail spaces, which are fully multi-let with a weighted average unexpired lease term of approximately 11 years with over 8 years on a term-certain basis. The building's tenant base includes a number of renown international insurance companies alongside other financial institutions, technology, and professional service businesses. The current annual rental income of The Leadenhall Building is in the region of GBP40.2 million. As at year end 2018, all of the available office and retail space were leased. The rental yield is approximately 3.5% per annum.

The Leadenhall Building

C C Land sponsored The 6th Cambridge University International Real Estate Finance & Investment Conference

The Leadenhall Building is honored to receive the 2018 RIBA London Awards and shortlisted to the National Awards. To maintain the building as an iconic international building, a proactive public relationship campaign was carried out to let more people experience in person the grand design of the building and its spacious and high-tech interior facilities. This included, in March 2018, a successful social media campaign via Instagram, as well as a Team BRIT charity event held at the building's public galleria. In November last year, the Group sponsored the 6th International Real Estate Finance and Investment Conference held within the building.

One Kingdom Street

Situated in the popular Paddington area of Central London, One Kingdom Street building offers approximately 265,000 sqf of high quality Grade A office accommodation and some parking spaces, with a current annual rental income of approximately GBP14.6 million, equivalent to an annual yield of 4.9%. The building is fully leased to several reputable major tenants.

One Kingdom Street

The building sets around Sheldon Square, which comprises of dining, office and residential blocks, hotel, retail, and entertainment amenities. The Group appointed a reputable agent to undertake the 2018 rent reviews with the tenants, and achieved improved terms and higher rental incomes in all tenancy agreements.

The Group is committed to raising the building standard of its investment properties. For One Kingdom Street, the reception and atrium areas of the building were refurbished. The new look has been complemented with a range of measures including a modern bright space of high ceilings and high quality functional entrance environment. An artisan coffee operator was introduced at the reception, together with a new seating area at the base of the atrium for break out meetings and building events. On 13 August 2018, the Building Management Team officially launched the new reception and atrium areas to the wide approval of both tenants and visitors.

One Kingdom Street Reception Launch after Refurbishment 2018

Australia

85 Spring Street, Melbourne

This commercial building is located at a prominent location in Melbourne with unobstructed parkland views, and surrounded by international retailers and restaurants. The building provides a lettable area of approximately 110,000 sqf across the ground floor and 15 upper office levels, with basement parking for 23 cars. The building has a site area of 13,358 sqf and benefits from dual street frontage, with direct access to the underground Parliament train station. The acquisition is expected to be completed in the first half of 2019 with an acquisition cost of approximately AUD112 million in which the Group has an 41.9% effective interest.

The building is currently vacant and a series of upgrading and refurbishment work will be undertaken to bring it to Grade A specification after completion. The rental yield after refurbishment is expected to be about 6% per annum.

Joint Ventures

As at 31 December 2018, for joint venture property projects, the Group has one in London, one in Hong Kong, and two in China. The Group rescinded the acquisition of the Leadenhall Triangle Project in London due to non-completion of conditions precedent by the vendor.

Nine Elms Square – London

The Group has a 50% interest in the Nine Elms Square Project.

Virtual Perspective of Nine Elms Square

Nine Elms Square is situated at the South Bank of the River Thames, with a panoramic view of Central London, and is located close to the new American Embassy. It occupies a ten-acre area, and comprises of twelve buildings including three tall towers, and will be a residential landmark on the South Bank.

This mostly residential project will be developed in three phases. Most of the units will enjoy a panoramic view of the River Thames. The ground breaking ceremony of the project was held in July 2018 and Phase I of the project is tentatively expected to be completed in late 2021. Pre-sales of Phase I is expected in the second half of 2019. When fully developed, the whole project will provide about 1,500 residential units with a total saleable area of approximately 1.7 million sqf.

The transport improvement package in the area will make Nine Elms Square on the South Bank an effective part of Central London. In the near future, two new Northern Line stations will create fast and direct links from the project to the West End, City and North London.

OCTA Tower – Hong Kong

The OCTA Tower is strategically located close to the junction of the MTR Kwun Tong line and Shatin to Central Link, as well as near to the Tate's Cairn and Eastern Harbour Crossing, making it fully accessible and well connected to different districts of Hong Kong. With its unique location, the OCTA Tower commands a full harbour view stretching from the Lei Yue Mun Straits to the Victoria Harbour. It is a 28-storeyed Grade A commercial building, with a total marketable gross floor area ("GFA") of approximately 795,000 sqf including retail spaces on the ground and first floor as well as 285 parking spaces. The building is almost fully leased. The rental yield is about 2% per annum. The nearby retail and commercial amenities offer tenant convenience in shopping, dining and entertainment. The cost of acquisition was HK$7.5 billion in which the Group has a 25% ownership interest. The building will be refurbished for value appreciation.

The PRC Projects

During the year, the Group had achieved significant steps in identifying potential property projects in the PRC and had built up a portfolio of real estate development projects through investing in joint ventures:

- In May 2018, the Group entered into an agreement to acquire 42.86% interest in a PRC property development project, with a total investment cost of RMB270 million. The project is located in Zhuzhou City, Hunan Province. In close proximity to the highway entrance, hospital facilities and local amenities, the project with a site area of 4.8 million sqf is positioned for commercial and residential developments, providing a total GFA of about 9.5 million sqf. Construction of the first phase started in the first half of 2018 with pre-sales already started in the second half of 2018. The first phase of the project is expected to be completed by 2020.

- In May 2018, the Group through its 48.98% owned joint venture, invested in a PRC real estate company which has several ongoing development projects in the PRC at a consideration of RMB980 million with a guaranteed fixed rate of return on the investment. The joint venture stands in good stead to deliver sustainable income irrespective of any slowdown in the industry. The investment is accounted for as a loan receivable by the joint venture.

- In June 2018, the Group entered into an agreement to acquire 50% interest in the PRC property development project in Sichuan with a site area of about 1.5 million sqf and a total GFA of 4.5 million sqf. The investment cost is RMB215 million. The acquisition is expected to be completed in 2019.

Treasury Investment Business

The treasury investment segment recorded a loss of HK$54.7 million (2017: HK$43.5 million). The dividends and interests earned from investments and loans receivable amounted to HK$135.2 million (2017: HK$119.4 million). The realized profit and fair value loss from its investment portfolio amounted to HK$72.8 million and HK$119.7 million respectively (2017: realized loss HK$4.2 million and fair value loss of HK$83.1 million respectively).

CORPORATE STRATEGY AND OUTLOOK

The outlook in the United Kingdom continues to be influenced by the political and economic uncertainties surrounding Brexit. Economic growth, coupled with stable interest rates escalation in the year, is expected to be modest.

The Group believes that in times of market uncertainty, it is preferable to invest in projects with steady long-term income streams. The Group's investment properties which now represent a substantial portion of the Group's property portfolio will continue to deliver positive returns. The Group also believes that, in the long term, London will remain as a successful global metropolitan city with many opportunities. To de-risk uncertainties and market volatility, the Group is now diversifying into other global cities to build up its property portfolio. With its experience and resources, the Group is well positioned to take advantage of new opportunities to grow its business in a sustainable way. Its strong balance sheet and low gearing will allow the Group to cherry pick the right projects when suitable opportunities arise.

2018 Summer of Sport Event at The Leadenhall Building

FINANCIAL REVIEW

Investments

The objectives of the Group's investment policy are to minimize risk while retaining liquidity, and to achieve a competitive rate of return.

The Group invested surplus cash in a diversified portfolio of listed equity securities, unlisted investment funds and debt instruments. As at 31 December 2018, the portfolio of investments comprised of listed equity securities, unlisted investment funds, and debt instruments with an aggregate carrying value of HK$3,005.9 million (31 December 2017: HK$2,998.3 million) which is listed in the table below:

	31 December 2018 HK$' million	31 December 2017* HK$' million
Financial assets at fair value through profit or loss		
Listed equity securities	**192.0**	310.9
Unlisted investment funds	**1,446.0**	1,729.2
	1,638.0	2,040.1
Financial assets at fair value through other comprehensive income		
Listed equity securities	**931.6**	756.4
Debt instruments	**436.3**	201.8
	1,367.9	958.2
Total	**3,005.9**	2,998.3

* Due to the adoption of HKFRS 9 as mentioned in note 2.2(b) to the financial statements, certain investments as at 31 December 2017 have been reclassified to conform to the current year's presentation for comparison purpose.

In 2018, the Group recognized from its portfolio of investments during the year an unrealized fair value loss of HK$119.7 million (2017: an unrealized fair value loss of HK$83.1 million) in the consolidated statement of profit or loss and an unrealized fair value gain of HK$449.7 million (2017: unrealized fair value gain of HK$634.6 million) in the consolidated statement of other comprehensive income. The realized profit on the portfolio of investments for the year was HK$72.8 million (2017: realized loss HK$4.2 million), whereas the amount of dividends and interest income from investments was HK$83.7 million (2017: HK$94.4 million). In terms of future prospects of the Group's investments, the performance of the listed equity securities and unlisted investment funds held is to a large extent subject to the performances of the relevant financial markets which are liable to change rapidly and unpredictably.

The Group will continuously adopt a prudent investment strategy and assess the performance of its portfolio of investments to make timely and appropriate adjustments to fine-tune its investments holding with a view to generating favorable returns for its shareholders.

Liquidity and Financial Resources

The Group has in place a GBP119.5 million secured revolving loan at year end which will allow the Group to manage better exchange risks for future investments in the UK.

The Group's gearing level, net of cash, represented 22.5% of total equity at 31 December 2018. The average interest rate on the Group's total borrowings and borrowings that were not for hedging purpose were 2.0% per annum and 2.4% per annum respectively. The Group continues to maintain a prudent attitude to gearing.

As at 31 December 2018, cash and bank balances and time deposit totalled HK$6.2 billion as compared to HK$10.0 billion as at 31 December 2017. About 64% of the Group's bank deposits and cash were denominated in Hong Kong dollars, 19% in USD, 9% in Renminbi, and 8% in GBP.

The Group continues to maintain a high level of liquidity. Total assets as at the end of December 2018 were HK$28.4 billion, of which approximately 25% was current in nature. Net current assets were HK$3.6 billion and accounted for approximately 21% of the net assets of the Group.

As at 31 December 2018, the owners' equity was HK$17.1 billion (2017: HK$16.8 billion) and the net assets value per share was HK$4.41 (2017: HK$4.34).

Contingent Liabilities/Financial Guarantees

At 31 December 2018, the Group had the following contingent liabilities/financial guarantees:

1. Guarantee given to the vendor in connection with the acquisition of a freehold land by a joint venture amounting to HK$248.4 million (2017: HK$262.8 million).

2. Guarantee given to a bank in connection with a facility granted to a joint venture up to HK$1,088 million (2017: Nil) and was utilized to the extent of HK$1,088 million (2017: Nil).

3. Guarantees given to a bank and an independent third party in connection with facilities granted to associates up to HK$1,500 million (2017: Nil) and were utilized to the extent of HK$1,500 million (2017: Nil).

Financing Activities

No major financing activities had been arranged by the Group during the year.

In April 2017, the Group completed the Rights Issue for one rights share for every two shares of the Company then held at a price of HK$2 per rights share, raising a net proceeds of about HK$2.58 billion to replenish its general working capital which was subsequently used to fund the investments in The Leadenhall Building and the Nine Elms Square Project.

Pledge of Assets

As at 31 December 2018, investment properties, bank deposits and properties and equipments in the respective amount of HK$14.4 billion, HK$1.3 billion and HK$79.8 million have been pledged as security for banking facilities granted to the Group.

Exchange Risks and Hedging

The Group manages its treasury activities within established risk management objectives and policies. The main objectives are to manage exchange, interest rates and liquidity risks and to provide a degree of certainty in respect of costs.

The Group hedges its foreign investments with bank borrowings and forward currency exchange contracts to offset against any unexpected and unfavorable currency movements, which may result in a loss on translation of the net foreign investment into Hong Kong dollars and such hedged sum amounted to approximately GBP335 million as at 31 December 2018.

EMPLOYEES

As at year end of 2018, the Group, including its subsidiaries but excluding its joint ventures and associates, employed a total of 99 employees in Hong Kong, China and United Kingdom for its principal business. Remuneration cost for the year (excluding directors' emoluments) amounted to approximately HK$103 million.

The remuneration of the Group's policy is to ensure that pay levels of its employees are competitive to the market and employees were rewarded according to their merit, qualifications, performance and competence. Other benefits offered to employees include contributions of mandatory provident fund, medical and travel insurances and training subsidies.

Employees are also granted share options under the Company's share option scheme at the discretion of the Board. For 2018 and 2017, no equity-settled share option expense was charged off to the consolidated statement of profit or loss.

The Group adopts a proactive approach on investor relations and strives to provide investors with updates and accurate information on the Group's latest development. The Group has an open-minded attitude and believes effective communication is two-ways and therefore also encourages investors to give feedback to the Group. To enable easy access to information on the Company's latest major development, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website, www.ccland.com.hk, under the column of "Investor Relations".

To enhance communications with its shareholders and the public, the Group has developed new or revamped websites for its flagship projects. The website of One Kingdom Street (www.onekingdomstreet.co.uk) was launched in January 2019. A new website of The Leadenhall Building was under development in 2018 and is expected to be completed in 2019.

INVESTOR RELATIONS ACTIVITIES

To facilitate on-going and timely dialogues with the investment community, the Group held analyst briefings after each results announcement. The management of the Group also participated in investment forums organized by leading international investment banks.

The Group has maintained a long-term and close relationship with the investment community, keeping an updated distribution list of investors to provide them with corporate news and announcements through e-mails. The Group believes continuous communication between investors is extremely important.

ACHIEVEMENTS AND AWARDS

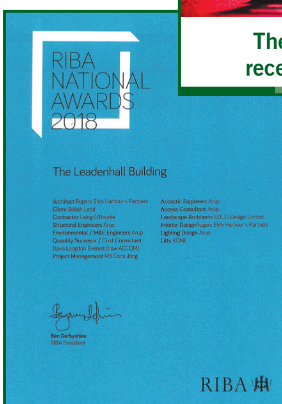
The Group is proud to report that The Leadenhall Building won the "Deal of the Year" at the prestigious EG Awards in September 2018. EG is a leading real estate magazine in the UK, and its annual awards recognise the leading companies, advisors and projects in the UK property market.

In June 2018 The Leadenhall Building was also a winner in the 2018 RIBA (Royal Institute of British Architects) London Awards and shortlisted to the National Awards. RIBA recognizes outstanding residential and commercial developments which culminates in the award of the internationally recognised Stirling Prize.

The Leadenhall Building was awarded the 2018 Clean City Platinum award for the third consecutive year. This is an excellent achievement due to the large number of buildings who participate every year, with the award being only second to the Chairman's Cup. The award recognises the Group's commitment to increase occupier waste recycling rates and the implementations of the three R's – Recycle, Re-use and Reduce initiatives.

2017 Annual Results Announcement

The Leadenhall Building received EG Awards 2018



The Leadenhall Building received RIBA London Awards 2018

1. INTRODUCTION

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

This report provides information on our policies, commitments and endeavours in relation to ESR issues of our operations in Hong Kong for the year ended 31 December 2018. It focuses on our operations in Hong Kong which were carried out from our offices situated at leased-premises located in two commercial buildings respectively during the reporting year. In addition, our Wanchai office has during the reporting year increased its office space so as to house all our employees from our North Point office in our Wanchai office. The new office space was put into operation in stages during the period and in full operation by the end of January 2019.

For disclosures on our corporate governance as required under the Listing Rules, please refer to the section headed "Corporate Governance Report" on pages 19 to 25.

2. OBJECTIVE

It is our primary objective regarding our ESR to promote sustainable development that meets our business goals without compromising the needs of the environment, society and economy. This coincides with our recognition that environmental, social and economic concerns are all indispensably linked to the businesses which we operate and our long term development.

Our priority within the ESR scope is to incorporate such objective into our daily operation and to devise measures and monitoring system to enhance our sustainability performance as a part of our business development strategy. In meeting such objective, our approach to ESR management is to ensure consistency and acceptable balances between our corporate actions and the interests of the environment, society and sustainable development.

The Board is responsible for overseeing the ESR management and reporting, providing strategic direction in achieving the Group's ESR objective and setting related policies.

3. ENVIRONMENTAL

3.1 Emissions

3.1.1 Greenhouse Gas Emissions

We are committed to reducing air and greenhouse gas ("GHG") emissions, discharges into water and land, generation of hazardous and non-hazardous waste in compliance with applicable laws and regulations.

Our offices do not involve any direct GHG emissions. During the reporting year, our total indirect GHG emissions were approximately 121.7 tonnes (2017: 107.0 tonnes) of carbon dioxide equivalent arising principally from our consumption of electricity, use of paper and business travel outside Hong Kong. Such increase in indirect GHG emissions was mainly due to increased consumption of electricity arising from the increase in office space. Details of our GHG emissions are as follows:

Sources of GHG emission	GHG emission (in tonne CO_2-e)	GHG emission by scope (in tonne CO_2-e)
Direct emissions (Scope 1)	–	–
Indirect emissions (Scope 2)		77.4
– Electricity	77.4	
Other indirect emissions (Scope 3)		44.3
– Paper consumption	4.4	
– Business travel outside Hong Kong	39.9	

* *GHG emission is calculated according to the Reporting Guidance on Environmental key performance indicators published by the Stock Exchange.*

As a green initiative, we support the "Indoor Temperature Energy Saving Charter" to improve energy efficiency of our operations. Our employees are encouraged to reduce frequency of business trips by making use of alternative facilities such as telephone instead of attending face-to-face meetings as and when practicable. In September 2018, the Group joined the "Biz-Green Dress Day" as one of the events within the "Hong Kong Green Building Week", fully funded by the Construction Industry Council. The event was aimed at reducing air-conditioning consumption by inviting participants to dress light and thus reduce the use of air-conditioning at their workplace.

3.1.2 Waste

Our offices do not involve the generation of any hazardous waste. Our major non-hazardous waste source pertains to general office waste including domestic waste and paper waste. Our domestic waste is disposed of by the relevant property management entities of the buildings in which our offices are located as part of their property management services. As a green initiative, we have set up designated collection points in the offices to collect recyclable paper waste whether generated internally or otherwise for recycling. During the reporting year, a total of 1.16 tonnes (2017: 1.13 tonnes) of recyclable paper waste had been collected. The slight increase may be attributable to the disposal of additional paper waste from cleaning up before relocation of employees to our new office area. In addition to recyclable paper waste, other office recyclable consumables, such as used toner cartridge, light bulbs and fluorescent tubes will also be collected for proper recycling or disposal.

There are no particular environmental laws or regulations relating to GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste that are specifically applicable to our operations in Hong Kong. We are not aware of any non-compliance with other laws or regulations generally applicable to waste disposal arising from the operation of our offices during the reporting year.

3.2 Use of Resources

We strive to use our resources, particularly energy and paper which are the two major categories of resources consumed in our offices, in an efficient manner by adhering to the principles of reducing, reusing and recycling. During the reporting year, we have consumed paper equivalent to a total of 353 reams (2017: 378 reams) of A4 size paper. As part of our use of resources efficiency initiatives, we encourage our employees to use electronic copies instead of printed copies of materials and to choose double-sided printing or copying options in order to reduce the use of paper wherever permissible.

During the reporting year, total electricity consumption of our offices was approximately 5.97 kWh per sqf (2017: 5.12 kWh per sqf) or 44.1 kWh per working hour (2017: 30.9 kWh per working hour), representing a total electricity consumption of approximately 98,032 kWh (2017: 68,514 kWh). Total electricity consumption per employee was approximately 1,960.6 kWh (2017: 1,458 kWh). The increase is mainly attributable to the increase in office space. As part of our energy use efficiency initiatives, our employees are encouraged to switch off lights and electrical appliances whenever they are not in use. We also promote adoption of energy-efficient electrical appliances in our offices wherever applicable.

We use water mainly for drinking and general cleaning purposes in our offices. Data of our potable water consumption is only available for our Wanchai office as no individual meter was installed for our North Point office. Total potable water consumption of our Wanchai office during the reporting year was approximately 257 cubic metres (2017: 224 cubic metres), representing a total annual potable water consumption per employee of our Wanchai office of approximately 8.0 cubic metres (2017: 7.7 cubic metres). In addition to potable water, we have also provided our employees with refillable bottled distilled water for drinking. During the reporting year, our offices consumed a total of approximately 5 cubic metres (2017: 6 cubic metres) of distilled water. All emptied bottles were collected by the supplier for reuse. During the reporting year, we have not encountered any issue in sourcing water that is fit for our day-to-day office use. Increase in potable water consumption was mainly attributable to the increase in office space as well as the use of our new drinking facilities installed in our new office space, which use potable water instead of refillable bottled water for drinking as part of our green initiatives. Hence, our consumption of refillable bottled distilled water has reduced during the reporting year.

Our offices do not involve the use of any packaging materials for any finished products.

3.3 The Environment and Natural Resources

We are committed to minimizing the impact of our operations on the environment and natural resources. In addition to our initiatives aiming to use resources efficiently, we have adopted a policy of using environmental friendly materials where applicable. Beginning from 2016, our interim and annual reports have been printed on Forest Stewardship Council certified papers. We have also implemented a number of green initiatives to raise our staff's conservation awareness. We have introduced measures of energy savings, waste less and low carbon living style through the workplace, including displaying prominent signs in conspicuous locations to remind staff of using energy and water more efficiently or reducing the amount of services used.

We understand the inevitable impact of property development and operations on climate and local environment, and as such, we opt for environmentally friendly architectural designs and operational measures wherever practicable to improve the environmental performance of our property development and investment.

4. SOCIAL

4.1 Employment and Labour Practices

4.1.1 Employment

We believe that our employees are vital to our continual business success and are committed to the continuous development of our employees. We are dedicated to attract, retain and deploy the most suitable talent to support our growth.

We are committed to adhering to relevant employment laws and regulations, adopting employment procedures and practices which promote fair treatment when dealing with our employees' compensation (including fringe benefits and welfare) and dismissal, recruitment and promotion, working hours and rest periods, providing equal opportunities, promoting diversity and fostering non-discrimination practices.

We have adopted remuneration policies setting out principles and guidance on remuneration of our directors and employees and a policy setting out the approach to achieve a diverse board. Further details of the remuneration policy for our directors and board diversity policy are set out in the section headed "Corporate Governance Report" on pages 19 to 25, and those of the remuneration policy for our employees are set out in the section headed "Directors' Report" on pages 26 to 32.

Our employees' compensation also includes a range of fringe benefits including medical and dental insurance coverage, paid annual leave, maternity leave and paternity leave. During festive occasions, we offer gifts to our employees for their sharing of the festive joy with their family.

We promote work life balance among our employees. We also organize various recreational activities including annual dinner and birthday parties to strengthen the bonding among our employees and promote their sense of belonging.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in relation to our operations.

4.1.2 Health and Safety

We strive to provide a safe working environment in our offices, free from any occupational hazards, to our employees in compliance with relevant laws and regulations relating to occupational safety and health.

We have taken steps to ensure a safe working environment in our offices such as cleaning of air-conditioning system and disinfection treatments of carpets on a regular basis. Fire safety of our offices is of paramount importance to us. Our employees are made aware of the means of escape in case of fire through participation in regular fire drills organized by the building management.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations relating to occupational safety and health that have a significant impact on our operations in Hong Kong relating to providing a safe working environment and protecting employees from occupational hazards in our offices.

4.1.3 Development and Training

We encourage our employees to improve their knowledge and skills for discharging duties at work through external and internal training opportunities that meet the needs of our business, at the Company's expenses.

We provide our Directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company. Speakers with professional background are invited to deliver presentation to our Directors and management on topics relating to their duties from time to time. We also offer subsidies to our employees who attend training courses to assist them in further developing their job-related knowledge and skills. For a summary of training received by Directors, please refer to the section headed "Corporate Governance Report" on pages 19 to 25.

4.1.4 Labour Standards

We prohibit and are against the employment of child and forced labour.

During the reporting year, we are not aware of any non-compliance with relevant laws and regulations that have a significant impact on our operations relating to preventing child and forced labour including the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

4.2 Operating Practices

4.2.1 Supply Chain Management

We endeavour to extend our influence on our stakeholders for managing potential environmental and social risks of the supply chain and promote our ESR policies and practices among them.

We seek to work with our suppliers in pursuit of continuous improvement in social and environmental performance. We are also committed to ensuring that environmental considerations are an integral part of our project development through cooperation with our suppliers and contractors to provide high-quality properties and services to our customers.

4.2.2 Product Responsibility

We strive to adhere to applicable laws and regulations with regard to health and safety, advertising and labelling and privacy matters for products and services we offer in our business, and to maintain effective communication channels for redress.

As a data user, we undertake to comply with the requirements of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that personal data kept are accurate, securely kept and used only for the purpose for which they have been collected.

We also protect our domain names and trademarks by adequate and timely registration to prevent their loss. Registration of all such domain names and trademarks is reviewed on an on-going basis and will be renewed upon their expiration.

During the reporting year, we are not aware of any material non-compliance with relevant laws and regulations that have a significant impact on our operations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided, including the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

4.2.3 Anti-corruption

We are committed to conducting our business in compliance with applicable laws and regulations against bribery, extortion, fraud and money laundering.

We have in place a code of conduct applicable to our directors and employees setting out the standards of behaviour that the Company expects from them, guidelines on how they should handle different situations in business dealings with the Group, and measures on bribery. We have also adopted a policy for employees to raise concerns about any improprieties, suspected misconduct or malpractice within the Group.

During the reporting year, we are not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering, including the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) and the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

4.3 Community

4.3.1 Community Investment

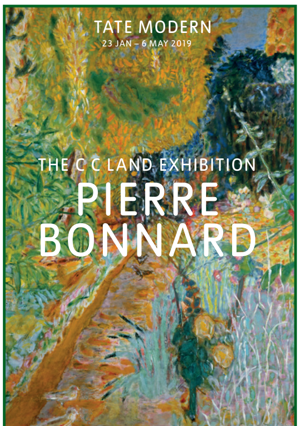
We are committed to engaging in the community in which we operate so as to understand their needs and to ensure our activities taking into consideration the interests of our communities.

We make donations to various charitable organizations. During the reporting year, we had made a total of charitable contributions amounting to HK$114,000. We encouraged our staff to make personal donations to charities and participate in various charity events such as the Salvation Army Recycling Programme, 2018 Family Day of the Hong Kong Society for the Protection of Children, Dress Casual Day of the Community Chest and China Resources Building - Annual Recycling Programme.

In addition, our London office has actively participated in the charity activities to support the local communities.

In March 2018, The Leadenhall Building organized an event in collaboration with Care International (who work around the world to save lives, defeat poverty and achieve social justice). The event "Stairs And The City", saw a group of women climb 48 floors (1,258 steps), and was the UK's first women only tower running challenge. The event raised approximately GBP100,000. Also, in September 2018, the Group continued its support to the event of "Lord Mayor Abseil" held at The Leadenhall Building and raised over GBP100,000 for various city charities for "A Better City for All" in London.

In January 2019, the Group sponsored the Pierre Bonnard Exhibition at the Tate Modern and offered complimentary tickets to local schools and charities. Working closely with the Tate, the sponsorship has allowed the Group to bring art to a wide diverse community. By working with selected charities, the Group were able to offer much needed enjoyment to parents and carers of sick and underprivileged children.



C C Land sponsored The Pierre Bonnard Exhibition at Tate Modern

The Company is committed to maintaining a high standard of corporate governance. The Board considers that sound corporate management and governance practices are essential to the Company's healthy growth under all business environments.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors. Specific enquiries have been made on all directors who have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Chaired by Mr. Cheung Chung Kiu, the Board currently consists of five executive directors and three independent non-executive directors. Names and other biographical details of the members of the Board are set out under the heading of "Directors' Profile" on pages 4 to 5. A former executive director, Mr. Tsang Wai Choi retired from the Board on 21 May 2018. The Board determines and keeps under review the objectives of the Group. It makes decisions on overall strategies and actions necessary for achieving these objectives, monitors and controls financial and operating performance, formulates appropriate policies, and identifies and ensures best practices of corporate governance. The current structure and composition of the Board have provided it with an appropriate mix of skills, knowledge, experience and diversity. The Board reviews its structure and composition from time to time to ensure that appropriate expertise and independence are maintained.

The Company has received confirmation from each director that he has given sufficient time and attention to the affairs of the Company during the year. Directors have also disclosed to the Company the changes, if any, in the number and nature of offices they hold in public companies or organizations and other significant commitment, including the identity of the public companies or organizations and an indication of the time involved.

Set out below are details of directors' attendance of meetings in 2018:

	Attendance/Number of meetings held				
Name of Directors	**Regular Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Executive Directors					
Cheung Chung Kiu *(Chairman)*	4/4	–	1/1	1/1	1/1
Lam How Mun Peter *(Deputy Chairman & Managing Director)*	4/4	–	1/1	1/1	1/1
Wong Chi Keung *(Deputy Chairman)*	4/4	–	–	–	1/1
Leung Chun Cheong	4/4	–	–	–	1/1
Leung Wai Fai	4/4	–	–	–	1/1
Tsang Wai Choi *(Deputy Chairman)* *(retired with effect from 21 May 2018)*	1/1	–	–	–	0/1
Independent Non-executive Directors					
Lam Kin Fung Jeffrey	4/4	3/3	1/1	1/1	1/1
Leung Yu Ming Steven	4/4	3/3	1/1	1/1	1/1
Wong Lung Tak Patrick	4/4	3/3	1/1	1/1	0/1

During 2018, the independent non-executive directors have met once with the Chairman without the presence of the executive directors, to consider and discuss various matters in respect of the management and corporate governance of the Company.

The Chairman takes the primary responsibility for ensuring that good corporate governance practices and procedures are established. He sets the agenda for the Board and takes the lead in the formulation of objectives, strategies and actions at the directorate level. He ensures that members of the Board receive accurate, timely and clear information, and that matters to be taken into consideration are given their due weight, so that sound decisions can be made. With the assistance of the Company Secretary, the Chairman ensures that the Board properly exercises its powers, holds its meetings and implements procedures in compliance with all rules and requirements, and full and proper records are maintained. Procedures are also put in place for each director to have access to supporting papers and relevant information for each scheduled meeting. All directors also have access to the services of the Company Secretary and her team, and may take independent professional advice upon request, at the Company's expense.

The day-to-day management of the Group is delegated by the Board to the Managing Director who is supported by the various committees of the Board and management of the Company for recommending strategies to the Board, and determining and implementing operational decisions. The Managing Director assumes full accountability for the day-to-day management of the Group. All committees of the Board have specific terms of reference clearly defining their respective powers and responsibilities. All committees are required by their terms of reference to report to the Board in relation to their decisions or recommendations. Through participating in the Company's board meetings and committees meetings, attending general meetings, and participating in continuous professional development, all directors are able to make contribution required from them to the Board and to the development of the Company.

The Company provides directors with regular updates on changes to and developments of the Group's business, and on the latest developments in the laws, rules and regulations relating to directors' duties and responsibilities to help them make informed decisions and discharge their duties and responsibilities as directors of the Company.

During 2018, all directors have participated in continuous professional development to develop and refresh their knowledge and skills as listed company directors. They have provided the Company with their records of the training they received for the year. A summary of the records is as follows:

Name of Directors	Training Received
Cheung Chung Kiu	Attending seminar regarding ethics and code of conduct and operation and management of listed companies; and reading materials regarding corporate governance, ethics and code of conduct and operation and management of listed companies
Lam How Mun Peter	Attending seminar regarding updates on rules and regulations relating to listed companies
Wong Chi Keung	Attending seminars regarding updates on rules and regulations relating to listed companies and relevant industry
Leung Chun Cheong	E-learning regarding updates on rules and regulations relating to listed companies, corporate governance, operation and management of listed companies, finance and relevant industry
Leung Wai Fai	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies and finance; and e-learning regarding corporate governance, ethics and code of conduct, operation and management of listed companies and relevant industry
Lam Kin Fung Jeffrey	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct and operation and management of listed companies; and e-learning regarding updates on rules and regulations relating to listed companies, corporate governance and operation and management of listed companies
Leung Yu Ming Steven	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies and finance
Wong Lung Tak Patrick	Attending seminars regarding updates on rules and regulations relating to listed companies, corporate governance, ethics and code of conduct, operation and management of listed companies and finance

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate. The main responsibility of Chairman is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of the committees of the Board, Managing Director is responsible for the day-to-day management of the Group, recommending strategies to the Board, and determining and implementing operational decisions.

NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent. All non-executive directors are appointed for a specific term of not more than three years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Bye-laws.

BOARD COMMITTEES

The Board has set up the Executive Committee which comprises all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for overseeing the management and daily operations of the Group and any other matters delegated by the Board. In addition to the Executive Committee, the Board has set up the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board does not have a Corporate Governance Committee and its functions would be carried out by the Board as a whole.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Lam Kin Fung Jeffrey. The major roles and functions of the Audit Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Audit Committee has reviewed together with the management and independent auditors the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including reviewing the Group's consolidated results for the year ended 31 December 2018. When reviewing the Company's interim and annual reports, the Audit Committee has focused not only on the impact of the changes in accounting policies and practices, but also on the compliance with applicable accounting standards, the Listing Rules and relevant legal requirements. It has also reviewed the financial statements before submission to the Board.

The Audit Committee has reviewed with the management, among other matters, the risk management and internal control systems covering all material controls, including financial, operational and compliance controls and risk management functions and the arrangements for employees to raise concerns in confidence about possible improprieties in financial reporting, internal control and other matters. The Audit Committee has reviewed the engagement of independent auditors and the effectiveness of the audit process.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Leung Yu Ming Steven. The major roles and functions of the Remuneration Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Remuneration Policy for executive directors of the Company is determined with reference to the Group's operating results, duties and level of responsibility of the executive directors and the prevailing market conditions which are reviewed annually in order to provide remuneration and compensation packages competitive to attract, retain and motivate high quality executives to serve the Group. The fee for non-executive directors is determined with reference to each of their duties and level of responsibility with the Company and is reviewed on an annual basis. Details of the directors' remuneration for 2018 are set out in note 9 to the financial statements on page 72.

During 2018, the Remuneration Committee has assessed the performance of the executive directors, reviewed and discussed, among other matters, the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the non-executive directors, the existing share option scheme, the retirement benefit scheme and the long-term incentive arrangement. It has also reviewed the Remuneration Policy and its implementation. Being given the delegated responsibility, the Remuneration Committee has determined the remuneration packages of the executive directors of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprises two executive directors, Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter, and three independent non-executive directors, Mr. Lam Kin Fung Jeffrey, Mr. Leung Yu Ming Steven and Dr. Wong Lung Tak Patrick. It is chaired by Mr. Cheung Chung Kiu. The major roles and functions of the Nomination Committee are set out in its terms of reference which include duties specified in the CG Code and are posted on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website.

The Nomination Committee is responsible for the nomination of directors pursuant to the Nomination Policy adopted by the Company. The Nomination Committee may identify potential candidates from any source as it may consider appropriate including without limitation its own contacts, referrals and recommendations including from other directors, members of management, the Company's advisors, and intermediary agencies retained at the Company's expense. To be eligible for consideration, a potential candidate must submit such information as may be required by the Nomination Committee for consideration. The Nomination Committee or its representatives, together with any directors the Nomination Committee considers appropriate, may interview the potential candidate identified. The Nomination Committee shall take into account all of the following criteria when evaluating an individual for nomination or appointment as director:

i. whether the individual is qualified to serve as a director and, where applicable, will qualify as an independent non-executive director under applicable laws and regulations including the Listing Rules;
ii. whether the individual is willing and able to serve as a director and to commit sufficient time and attention to the affairs of the Company;
iii. whether and how the individual can contribute to the Board, taking into account such factors including without limitation the individual's business and professional experience and qualifications, skills, education, knowledge, character and integrity;
iv. potential conflict of interests;
v. the requirement for Board diversity in accordance with the Company's policy on Board diversity; and
vi. such other factors as the Nomination Committee may from time to time consider appropriate and in the best interests of the Company and its shareholders as a whole.

The Nomination Committee shall select or make recommendations to the Board on the selection of the most appropriate candidates for election or appointment, including the proposed terms and conditions of appointment.

The Company has adopted a Board Diversity Policy setting out the approach to achieve a diverse Board. Taking into account factors including the size of the Board, its composition of executive and non-executive directors, and the Company's principal activities and needs, election of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During 2018, the Nomination Committee has held one meeting which was attended by all its members. It has reviewed and discussed, among other matters, (i) the structure, size and composition including the skills, knowledge, experience and diversity of the Board; (ii) the independence of independent non-executive directors of the Board; (iii) the re-appointment of directors and succession planning for directors; (iv) the recommendation for re-election of retiring directors; and (v) the Nomination Policy and the Board Diversity Policy and their implementation.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

During 2018, members of the Board have reviewed and discussed, among other things, the Company's policies and practices on corporate governance at regular board meetings. They have also reviewed and monitored the training and continuous professional development of directors, and the Company's policies and practices on compliance with legal and regulatory requirements as well as its disclosure in the Corporate Governance Report. The Board has reviewed the code of conduct applicable to employees and directors setting out the standards of behaviour that the Company expects from them and the guidelines on how they should handle different situations in business dealings with the Group.

INDEPENDENT AUDITORS' REMUNERATION

During 2018, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK$6,853,000, of which HK$4,800,000 was for audit services and HK$2,053,000 for non-audit services including agreed-upon procedures on the interim financial report, review and report on the financial information and tax services.

COMPANY SECRETARY

The Company Secretary has undertaken not less than 15 hours of relevant professional training during 2018.

SHAREHOLDERS' RIGHTS

The following is a brief summary of certain rights of shareholders, which are subject to applicable laws and regulations, including without limitation, the Companies Act, the Listing Rules and the Bye-laws.

1. Convening special general meeting

Members of the Company may, by a written requisition, require the Directors to convene an SGM for the transaction of any business specified in such requisition. A valid requisition may be made by a member or members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company which at that date carries voting rights at general meetings of the Company. The requisition must state the purpose(s) of the requisitioned SGM, and must be signed by the requisitionist(s). The requisition may consist of several documents in like form each signed by one or more requisitionists, which must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary.

If the Directors fail to proceed to convene an SGM within 21 days from the date of deposit of the requisition, the requisitionist(s) (or any of them representing more than one-half of their total voting rights) may himself/themselves convene an SGM, which must be held within 3 months of the date of deposit of the requisition. The SGM must be convened by the requisitionist(s) in the same manner as nearly as possible as that in which SGM is to be convened by the Directors. The requisitionist(s) is/are entitled to be repaid any reasonable expenses he/they incur(s) as a result of the failure of Directors duly to convene an SGM. These expenses will be payable by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration to such defaulting Directors in respect of their services.

2. Putting forward proposals at shareholders' meetings

Members of the Company may by a written requisition and at their expense (unless the Company otherwise resolves) require the Company to:

(a) give to members of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company; and/or
(b) circulate to members of the Company entitled to receive notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that general meeting.

A valid requisition may be made by either:

(a) any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition the right to vote at the meeting to which the requisition relates; or
(b) not less than 100 members of the Company.

The requisition signed by the requisitionists (or two or more copies which between them bear the signatures of all the requisitionists) must be deposited at the Company's registered office in Bermuda at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. To ensure that it is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary and,

(a) in the case of a requisition requiring notice of a resolution to be moved at an annual general meeting, not less than six weeks before the annual general meeting; and
(b) in the case of any other requisition, not less than one week before the general meeting.

The requisitionists must deposit or tender with the requisition a sum which is reasonably sufficient to meet the Company's expenses in giving effect to the requisition.

3. Proposing a person for election as director

Shareholders may propose a person for election as director, the procedures for which are available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations".

4. Sending enquiries to the Board

Shareholders may send any enquiries to the Board by mail, email or telephone to the Company's Head of Investor Relations, whose contact details are as follows:

Address:	25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
Email:	ccland@ccland.com.hk
Telephone:	+852 2820 7315

INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy. The use and effectiveness of such policy are monitored and reviewed regularly by the Board. The Company recognises the importance of shareholders' privacy and therefore will not disclose shareholders' information without their consent, unless required by law to do so. To achieve equal access to information on the Company's latest major developments, measures have been taken to ensure all necessary information and appropriate updates are made available to investors in a timely manner through the Company's website under the column of "Investor Relations". In addition to financial reports, all announcements and circulars of the Company including results announcements, notices of general meetings and associated explanatory documents released by the Company to the Stock Exchange are posted on the Company's website. Other information such as presentation materials and press releases to be issued to shareholders and potential investors of the Company will also be made available on the Company's website. Shareholders should direct their questions about their shareholdings to the Company's share registrars. For enquiry about the information of the Company, shareholders may contact our Head of Investor Relations, whose contact details are set out under the heading of "Sending enquiries to the Board" above. Shareholders are encouraged to participate in the Company's general meetings where members of the Board will be available to answer their questions.

The Company has also adopted a Disclosure of Inside Information Policy. It sets out a framework for the release and control of inside information to ensure that the Company is able to meet its legal and regulatory obligations and requirements as a listed corporation. The Board is generally responsible for ensuring that the Group complies with its disclosure obligations regarding inside information and has established a disclosure group comprising certain directors and management to assist it in determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. Inside information should be disclosed by way of an announcement in accordance with the requirements of the SFO and the Listing Rules. Before relevant information is fully disclosed to the public, the disclosure group will help the Board to ensure that such information is kept strictly confidential.

The Company has adopted a Dividend Policy, which sets out the principle for determining the declaration or recommendation of dividends to Shareholders in such amount and manner, and at such time as may be determined or recommended by the Board from time to time but subject always to consideration of the following factors:

(a) the requirements of the Company's constitutional documents;
(b) the requirements of the Companies Act 1981 of Bermuda and any other applicable laws and regulations to which the Company is subject from time to time;
(c) any banking or other funding covenants by which the Group is bound from time to time;
(d) the operating requirements of the Group; and
(e) the interests of Shareholders.

The Board may take into consideration one or more of the following factors in determining the operating requirements of the Group referred to above:

(a) actual and expected financial results of the Group;
(b) liquidity, cashflow and gearing position of the Group;
(c) capital and other reserve requirements of the Group;
(d) position of retained earnings and other distributable reserves of the Group;
(e) general business conditions and strategies of the Group;
(f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
(g) any other factors the Board may deem relevant and/or appropriate.

The Company's constitutional documents are made available on the Company's website in the section of "Corporate Governance" under the column of "Investor Relations" and on the Stock Exchange's website. During the year, there was no significant change in them.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Board recognizes that the Group's risk management and internal control systems play a key role in the identification, evaluation and management of risks faced by the Group, the assurance of continued compliance with laws and regulations by the Group, and the provision of reasonable assurance on the Group against material misstatement, error, loss or fraud. The Board appreciates that the Group is exposed to risks in achieving its business objectives and strives to maintain such risks at acceptable level through the design, implementation and monitoring of effective risk management and internal control systems.

The risk management and internal control systems are established within the Company and its subsidiaries for facilitating effective operations, for safeguarding assets against unauthorized use, for maintaining proper accounting records, for ensuring the reliability of financial reporting and information, and for ensuring compliance with applicable laws and regulations. The establishment of risk management and internal control systems involves identifying the key functions carried out by the Group, the individual activities undertaken within those functions, the risks associated with each activity in achieving the Group's business objectives, evaluating the potential impact and acceptable level of such risks, developing and monitoring the effectiveness of procedures to manage and to minimise the identified risks, having regard to the particular circumstances of the Group including business operations, operating environment, compliance with applicable laws and regulations and financial reporting requirements. As part of the risk management and internal control systems, functional reporting and financial reporting procedures appropriate to the business of the Company's subsidiaries are established for application within the Group. These procedures are designed to enable timely and reliable functional and financial reporting by subsidiaries of the Company, and to facilitate proper handling and dissemination of inside information. A formal annual review of these procedures is carried out by the Board. In addition, the Board also receives updates from the Internal Audit department on areas that specifically affect the Company.

The Company has maintained an internal audit function which forms part of the permanent establishment of the Group and is internally resourced and staffed by qualified accounting personnel with suitable experience. The internal audit function carries out analysis and independent appraisal on the adequacy and effectiveness of the Group's risk management and internal control systems. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board is responsible for ensuring that recommendations made by the internal audit function are properly implemented.

The Audit Committee has kept under review the Group's risk management and internal control systems and the effectiveness of the internal audit function. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board has also conducted an annual review of the effectiveness of the Group's risk management and internal control systems, and considered the work of the internal audit function and advice from the Audit Committee in this regard. During the year under review, the Board considers that the Group has complied with the provisions on risk management and internal controls as stipulated in the CG Code. The Board is satisfied that the Group's risk management and internal control systems including financial, operational and compliance controls as appropriate to the Group have been put in place, effective and adequate, and that no significant areas of improvement have been revealed.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board acknowledges that it is responsible for the preparation of financial statements of the Group and for ensuring that financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 33 to 36.

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. The principal activities of its subsidiaries focus on property development and investment, as well as treasury investments, details of which are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 37 to 107.

The Directors recommend the payment of a final dividend of HK$0.02 per ordinary share in respect of the year to the shareholders on the Company's register of members at the close of business on 28 May 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 108. The summary does not form part of the audited financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the year and a description of possible risks and uncertainties facing the Group are set out in the Chairman's Statement on pages 6 to 7 and Management Discussion and Analysis on pages 8 to 12 respectively. No significant events affecting the Group have occurred subsequent to the reporting period. An indication of the likely future development in the Group's business is set out in the Chairman's Statement on pages 6 to 7 and Management Discussion and Analysis on pages 8 to 12 respectively. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Financial Highlights on page 3 and the Five-Year Financial Summary on page 108. Discussions on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in Corporate Governance Report on pages 19 to 25 and Environmental and Social Responsibilities Report on pages 14 to 18 respectively. An account of the Group's environmental policies and performance, the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are set out in the Environmental and Social Responsibilities Report on pages 14 to 18. These discussions form part of this Directors' Report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no pre-emptive rights provision in the Companies Act or in the Bye-laws.

PERMITTED INDEMNITY

The Bye-laws provides that Directors and other officers shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them 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 respective offices or trusts. Such provision was in force during the year. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 44 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act, amounted to HK$171,893,000, of which HK$77,647,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account in the amount of HK$11,977,078,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group had made charitable contributions amounting to HK$114,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers accounted for 45% of the Group's revenue and revenue from the largest customer included therein amounted to 15%. There was no purchase from suppliers by the Group during the year.

During the year, none of the Directors, their close associates or shareholders, who to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers.

The Group understands that customers and suppliers are important to the sustainable and stable development of its business. The Group conducts assessment process from time to time to evaluate the performance of its contractors and implement third-party certification to ensure the performance of its suppliers. Our work relating to social and environmental with our suppliers was set out in "Environmental and Social Responsibilities Report" on pages 14 to 18.

DIRECTORS

The Directors during the year and for the period from 1 January 2019 to the date of this report were as follows:

Executive directors:

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter *(Deputy Chairman and Managing Director)*
Mr. Wong Chi Keung *(Deputy Chairman)*
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Mr. Tsang Wai Choi *(Deputy Chairman) (retired with effect from 21 May 2018)*

Independent non-executive directors:

Mr. Lam Kin Fung Jeffrey
Mr. Leung Yu Ming Steven
Dr. Wong Lung Tak Patrick

In accordance with Bye-law 87 of the Bye-laws, Mr. Cheung Chung Kiu, Mr. Wong Chi Keung and Mr. Leung Yu Ming Steven will retire and, being eligible, have offered themselves for re-election at the AGM. All other Directors will continue to be in office.

The Company has received from each of the independent non-executive directors, Messrs. Lam Kin Fung Jeffrey, Leung Yu Ming Steven and Wong Lung Tak Patrick, an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Board has reviewed their independence based on such confirmation and considers all of them remaining independent.

DIRECTORS' BIOGRAPHIES

The Company has received the following notifications from Directors relating to the change in their information:

Mr. Lam Kin Fung Jeffrey ceased to be a member of Fight Crime Committee from 31 March 2018. Mr. Lam was appointed on 6 June 2018 as an Independent Non-executive Director of Wing Tai Properties Limited, the shares of which are listed on the Stock Exchange.

Dr. Wong Lung Tak Patrick ceased to be an Independent Non-executive Director of National Arts Entertainment and Culture Group Limited, the shares of which are listed on the Stock Exchange, from 1 January 2019.

Updated biographical details of the Directors existing as at the date of this report are set out on pages 4 to 5.

DIRECTORS' SERVICE CONTRACTS

No Director offering for re-election at the AGM has a service contract with any company in the Group which is not terminable by such company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested in, either directly or indirectly, was subsisting during the year or at the end of the year.

MANAGEMENT CONTRACTS

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

REMUNERATION DETAILS

Details of the Directors' remuneration and the five highest-paid individuals in the Group are set out in notes 9 and 10 to the financial statements respectively.

REMUNERATION POLICY

The remuneration policy for employees of the Group is formulated based on the merit, qualifications, performance and competence of individual employee which are reviewed regularly in order to provide competitive compensation packages at market rates sufficient to reward satisfactory performance and attract, retain and motivate employees. The Company has adopted share option scheme as a long-term incentive to eligible employees and directors to recognize and reward their contribution to the Group, details of which are set out in note 34 to the financial statements. Remuneration policy for Directors is set out in Corporate Governance Report on pages 19 to 25.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

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

Interests in shares of the Company (long positions)

	Interests in shares		Interests in underlying shares pursuant to share options granted by the Company [3]		
Name of directors	Personal interests	Corporate interests		Aggregate interests	Approximate percentage [4]
Cheung Chung Kiu	–	2,306,127,465 [1&2]	–	2,306,127,465	59.40
Lam How Mun Peter	486,753	–	43,667,369	44,154,122	1.14
Leung Chun Cheong	667,000	–	1,521,900	2,188,900	0.06
Leung Wai Fai	–	–	3,043,800	3,043,800	0.08

Notes:

1. 1,606,215,346 of such shares were held through Thrivetrade Limited ("Thrivetrade"), a company wholly-owned by Mr. Cheung Chung Kiu ("Mr. Cheung"). Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Thrivetrade.

   407,716,560 of such shares were held through Fame Seeker Holdings Limited ("Fame Seeker"), a company wholly-owned by Mr. Cheung. Accordingly, Mr. Cheung was deemed to be interested in the same number of shares held through Fame Seeker.

2. 292,195,559 of such shares were held through Regulator Holdings Limited ("Regulator"), a direct wholly-owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang-BVI"), which is in turn a direct wholly-owned subsidiary of Yugang International Limited ("Yugang"). Yugang was owned by Chongqing Industrial Limited ("CIL"), Timmex Investment Limited ("Timmex") and Mr. Cheung as to approximately 44.06% in aggregate. CIL was owned as to 35%, 30%, 5% and 30% by Mr. Cheung, Peking Palace Limited ("Peking Palace"), Miraculous Services Limited ("Miraculous Services") and Prize Winner Limited ("Prize Winner") respectively. Mr. Cheung had 100% beneficial interest in Timmex. Prize Winner was beneficially owned by Mr. Cheung and his associates. Peking Palace and Miraculous Services were held by Palin Holdings Limited ("Palin") as the trustee for Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung and his family. Accordingly, Mr. Cheung was also deemed to be interested in the same number of shares held through Regulator.

3. Details of the directors' interests in the underlying shares of the Company pursuant to share options granted by the Company are set out in the section headed "Share Options" below.

4. Approximate percentage refers to the aggregate interests of a director in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions" above and "Share Options" below, and in the share option scheme disclosures set out in note 34 to the financial statements, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangement 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 none of the Directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

The Company adopted a share option scheme on 29 April 2005 ("2005 Scheme"), which expired on 29 April 2015. Details of the 2005 Scheme were disclosed in the Company's circular dated 13 April 2005 and are set out in note 34 to the financial statements. Movements of the 2005 Scheme during the year were set out below:

Name or category of participants	Number of share options									
	At 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2018	Date of grant [1] (dd-mm-yyyy)	Exercise period (dd-mm-yyyy)	Exercise Price [2] HK$ per share	Closing price immediately before date of grant HK$ per share
Directors										
Lam How Mun Peter	17,755,500	–	–	–	–	17,755,500	07-05-2009	07-05-2009 to 06-05-2019	3.2229	3.47
	21,853,469	–	–	–	–	21,853,469	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	4,058,400	–	–	–	–	4,058,400	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	43,667,369	–	–	–	–	43,667,369				
Leung Chun Cheong	1,521,900	–	–	–	–	1,521,900	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Leung Wai Fai	3,043,800	–	–	–	–	3,043,800	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	48,233,069	–	–	–	–	48,233,069				
Employees	10,247,460	–	–	–	–	10,247,460	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
	811,680	–	–	–	–	811,680	03-09-2010	01-01-2011 to 02-09-2020	3.2624	3.19
	11,059,140	–	–	–	–	11,059,140				
Others	4,870,080	–	–	–	–	4,870,080	03-09-2010	03-09-2010 to 02-09-2020	3.2624	3.19
Total	64,162,289	–	–	–	–	64,162,289				

Notes:

1. Certain share options granted are subject to a vesting period beginning from the date of grant until the commencement of the exercise period.

2. The number and the exercise price of the share options are subject to adjustment in case of any rights issues or bonus issues, or any other changes in the Company's share capital.

On 21 May 2015, the Company adopted a share option scheme ("2015 Scheme"), details of which were disclosed in the Company's circular dated 16 April 2015 and are set out in note 34 to the financial statements. No share options have been granted under 2015 Scheme since its adoption and up to 31 December 2018.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 31 December 2018, details of the interests and short positions of every person, other than directors or the chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity in which interests are held	Number of shares held	Approximate percentage [3]
Thrivetrade	Beneficial owner	1,606,215,346 [1]	41.37
Fame Seeker	Beneficial owner	407,716,560 [1]	10.50
Regulator	Beneficial owner	292,195,559 [2]	7.53
Yugang-BVI	Interest of controlled corporation	292,195,559 [2]	7.53
Yugang	Interest of controlled corporation	292,195,559 [2]	7.53
CIL	Interest of controlled corporation	292,195,559 [2]	7.53
Palin	Interest of controlled corporation	292,195,559 [2]	7.53

Notes:

1. These shares were included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executive's Interests and Short Positions" above.

2. The interests held by Regulator, Yugang-BVI, Yugang, CIL and Palin respectively as shown above refer to interests in the same block of shares. The said shares were also included in the interests of Mr. Cheung in the shares of the Company as disclosed under the paragraph "Interests in shares of the Company (long positions)" of the section headed "Directors' and Chief Executive's Interests and Short Positions" above.

3. Approximate percentage refers to the aggregate interest which the shareholder held or had short positions in the shares of the Company expressed as a percentage (rounded to two decimal places) of the issued share capital of the Company as at 31 December 2018.

4. All of the interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any interests or short positions of any other person, other than directors or the chief executive of the Company, in the shares or underlying shares of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, one of the existing Directors held interests in business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group as follows.

Mr. Cheung was an executive director of Y. T. Realty Group Limited ("Y.T. Realty") (the shares of which are listed on the Main Board of the Stock Exchange) and was deemed to be interested in 16.85% (as at 31 December 2018) of the shareholding in Y.T. Realty. Y.T. Realty is an investment holding company and the principal activities of its subsidiaries include property investment and property trading. Mr. Cheung also had personal interests in certain private companies engaged in property investment and property management services businesses. As such, Mr. Cheung is regarded as being interested in a business which may compete with the business of the Group.

During the year, Mr. Tsang Wai Choi (a former Director) had personal interests in certain private companies engaged in property development and investment and related businesses in the PRC. He was also regarded as being interested in a business which may compete with the business of the Group. Mr. Tsang retired as an executive director of the Board with effect from 21 May 2018.

The Directors are aware of their fiduciary duties to the Company and that they must, in the performance of their duties as directors, avoid actual and potential conflicts of interest and duty, and not to profit themselves to the detriment of the Company. Further, there are provisions in the Bye-laws prohibiting a Director from voting, or being counted in the quorum, on any resolution of the Board approving any contract or arrangement or any other proposal in which the Director or any of his/her associate(s) is materially interested in except for certain permitted matters. The Directors are therefore of the view that the Company is capable of carrying on the Group's business independently of, and at arm's length from, such business in which any Director is regarded as being interested and which may compete with the business of the Group.

RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting principles. Details of these transactions are set out in note 39 to financial statements.

FINANCIAL ASSISTANCE AND GUARANTEE TO AFFILIATED COMPANIES

The Group had provided financial assistance to, and guarantee for, affiliated companies in the aggregate amount of HK$3,397,333,000, which represented approximately 12% of the Group's total assets as at 31 December 2018.

As at 31 December 2018, the financial assistance and guarantees made by the Group to its joint ventures and associates are as follows:

	Financial assistance HK$'000	**Guarantees** HK$'000
Excel Winner UK Limited	–	1,336,460
Fast Trend Investments Limited	23,308	1,031,250
Modern Crescent Limited	385,834	468,750
Distinct Global Investments Limited	123,494	–
Ocean Beyond Investments Limited	27,923	–
Beauty Bay International Limited	314	–
	560,873	2,836,460

In accordance with the requirement under Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of those affiliated companies as at 31 December 2018 is presented below:

	Combined balance sheet HK$'000
Non-current assets	1,182,105
Current assets	15,005,149
Current liabilities	(4,529,248)
Non-current liabilities	(4,526,804)
Net assets	7,131,202
Share capital	12
Reserves	6,985,162
Non-controlling interests	146,028
Total Equity	7,131,202

As at 31 December 2018, the consolidated attributable interest of the Group in these affiliated companies amounted to HK$3,061,091,000.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as independent auditors of the Company will be proposed at the AGM.

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 22 March 2019

To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of C C Land Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 107, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matter
Valuations of investment properties	
As at 31 December 2018, the Group's investment properties amounted to HK$14,395 million and were measured at fair value. The fair values of the investment properties were determined based on valuations performed by professional external valuers. Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations on these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as the estimated rental value of the relevant properties and made assumptions about capitalisation rates. The accounting estimates and disclosures of valuations of investment properties are included in notes 3 and 15 to the consolidated financial statements, respectively.	Our audit procedures to assess the valuations of investment properties included the following: • obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group; • assessing the external valuers' qualifications, experience and expertise and considering their objectivity and independence; • involving our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; • comparing property-related data used as inputs for the valuations with underlying lease agreements and related documentation; and • assessing the adequacy of the disclosures of the valuations of the investment properties in the consolidated financial statements.
Impairment assessments of debt investments at fair value through other comprehensive income and loans and interest receivables	
As at 31 December 2018, the Group had debt investments at fair value through other comprehensive income and loans and interest receivables amounted to HK$436,377,000 and HK$570,677,000, respectively. Impairment losses recognised in the consolidated statement of profit or loss in respect of the Group's debt investments and loans receivable amounting to HK$28,890,000. The adoption of HKFRS 9 *Financial Instruments* ("HKFRS 9") has fundamentally changed the Group's accounting for impairment losses of debt investments at fair value through other comprehensive income and loans and interest receivables by replacing the incurred loss approach under HKAS 39 *Financial Instruments: Recognition and Measurement* with a forward-looking expected credit loss approach. Significant management judgement and estimates are required in determining the impairment losses of related debt investments and loans receivable under the expected credit loss model in accordance with HKFRS 9. Management applied the general approach in calculating expected credit losses under HKFRS 9 for the related debt investments and loans receivable and engaged an external valuer to assess the credit risk of each debtor and prepare the expected credit loss calculations. The external valuer applied various elements, which involved forward-looking information and expected future cash flows, in assessing the expected credit losses.	Our audit procedures to assess the impairment assessments of the debt investments and loans and interest receivables included the following: • evaluating the Group's processes and controls over the approvals and recording of the loans receivable and debt investments; • reviewing the background information and repayment capacity of the debtors such as credit assessment prepared by management and public information about the financial strength of the debtors and guarantors (if any); • reviewing the repayment history and settlements received subsequent to the reporting period from the debtors; • obtaining and reviewing the expected credit loss calculations prepared by the external valuer engaged by the Group; • assessing the external valuer's qualifications, experience and expertise and considering its objectivity and independence; • involving our internal valuation specialists to assist us to assess the methodologies applied and the key assumptions and estimates adopted in the expected credit loss calculations;

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matter
Impairment assessments of debt investments at fair value through other comprehensive income and loans and interest receivables (continued)	
The accounting judgements and estimates and details of the Group's debts investments at fair value through other comprehensive income and loans and interest receivables are included in notes 3, 18 and 22 to the consolidated financial statements.	Our audit procedures to assess the impairment assessments of the debt investments and loans and interest receivables included the following: *(continued)* • comparing the details of the loans and debt investments used as inputs for the expected credit loss calculations with underlying documentation, such as loan agreements and debt offering memorandum; and • assessing the adequacy of the disclosures on the debt investments at fair value through other comprehensive income and loans and interest receivables in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2019

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
REVENUE:			
Revenue from contracts with customers	5	**–**	19,700
Interest income	5	**72,418**	36,072
Revenue from other sources	5	**578,686**	408,789
Total revenue		**651,104**	464,561
Cost of sales		**(5,474)**	(18,105)
Gross profit		**645,630**	446,456
Other income and gains, net	5	**191,528**	445,557
Selling and distribution expenses		**–**	(713)
Administrative expenses		**(297,059)**	(333,166)
Impairment losses on financial assets, net	8	**(28,890)**	–
Other expenses	6	**(182,911)**	(102,833)
Finance costs	7	**(245,874)**	(152,986)
Share of profits and losses of:			
Joint ventures		**55,131**	1,652
Associates		**53,015**	(474)
PROFIT BEFORE TAX	8	**190,570**	303,493
Income tax expense	11	**(19,471)**	(11,617)
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**171,099**	291,876
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		**HK4.41 cents**	HK8.42 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**171,099**	291,876
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	18	**–**	555,647
Deferred tax		**–**	(16,836)
Reclassification adjustment for losses/(gains) included in the consolidated statement of profit or loss			
– gains on disposal, net	18	**–**	(13,248)
– impairment loss	18	**–**	78,949
		–	604,512
Financial assets at fair value through other comprehensive income:			
Changes in fair value		**(38,636)**	–
Impairment of financial assets:			
Reclassification adjustment for impairment losses included in the consolidated statement of profit or loss		**4,972**	–
		(33,664)	–
Exchange differences:			
Release upon disposal of a subsidiary	33	**–**	1,748
Translation of foreign operations		**(463,904)**	674,936
Hedges of net investments in foreign operations			
– effective portion of changes in fair value of hedging instruments during the year		**269,931**	(578,515)
		(193,973)	98,169
Share of other comprehensive loss of joint ventures		**(49,869)**	(1,787)
Share of other comprehensive income/(loss) of associates		**(21,723)**	2,525
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(299,229)**	703,419
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Financial assets at fair value through other comprehensive income:			
Changes in fair value		**488,318**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**488,318**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**189,089**	703,419
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**360,188**	995,295

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property and equipment	14	**105,681**	99,815
Investment properties	15	**14,394,511**	15,228,933
Golf club membership		**10,540**	10,540
Investments in joint ventures	16	**2,736,999**	3,358,046
Investments in associates	17	**914,929**	227,116
Financial assets at fair value through other comprehensive income	18	**1,291,140**	–
Financial assets at fair value through profit or loss	19	**1,445,963**	–
Available-for-sale investments	18	**–**	2,687,399
Prepayments, deposits and other receivables	23	**280,808**	–
Derivative financial instruments	27	**72,394**	44,739
Deferred tax assets	29	**4,938**	–
Total non-current assets		**21,257,903**	21,656,588
CURRENT ASSETS			
Trade receivables	21	**5,679**	5,308
Loans and interest receivables	22	**570,677**	130,452
Prepayments, deposits and other receivables	23	**92,523**	91,274
Financial assets at fair value through other comprehensive income	18	**76,822**	–
Financial assets at fair value through profit or loss	19	**191,995**	–
Equity investments at fair value through profit or loss	19	**–**	310,874
Derivative financial instruments	27	**56,540**	–
Prepaid income tax		**3,565**	2,715
Deposits with brokerage companies	24	**11,238**	12,790
Pledged deposits	25	**1,327,500**	5,072,750
Restricted bank balances	25	**142,907**	168,302
Cash and cash equivalents	25	**4,701,508**	4,719,984
Total current assets		**7,180,954**	10,514,449
CURRENT LIABILITIES			
Other payables and accruals	26	**514,500**	733,627
Derivative financial instrument	27	**–**	86,915
Interest-bearing bank borrowings	28	**2,288,458**	7,164,578
Tax payable		**764,300**	852,497
Total current liabilities		**3,567,258**	8,837,617
NET CURRENT ASSETS		**3,613,696**	1,676,832
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,871,599**	23,333,420
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**7,728,486**	6,470,533
Deferred tax liabilities	29	**19,623**	17,138
Total non-current liabilities		**7,748,109**	6,487,671
Net assets		**17,123,490**	16,845,749
EQUITY			
Issued capital	30	**388,233**	388,233
Reserves	31	**16,735,257**	16,457,516
Total equity		**17,123,490**	16,845,749

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to equity owners of the Company								
	Notes	Issued capital HK$'000	Share premium account HK$'000	Exchange fluctuation reserve** HK$'000	Available-for-sale investment revaluation reserve HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total equity HK$'000
At 1 January 2017		258,822	9,524,823	(604)	(5,838)	–	–	3,326,313	165,272	13,268,788
Profit for the year		–	–	–	–	–	–	291,876	–	291,876
Other comprehensive income for the year:										
Available-for-sale investments:										
Changes in fair value, net of tax		–	–	–	538,811	–	–	–	–	538,811
Reclassification adjustment for losses/(gains) included in the consolidated statement of profit or loss										
– Gains on disposal, net		–	–	–	(13,248)	–	–	–	–	(13,248)
– Impairment loss		–	–	–	78,949	–	–	–	–	78,949
Share of other comprehensive loss of joint ventures		–	–	(1,787)	–	–	–	–	–	(1,787)
Share of other comprehensive income of associates		–	–	2,525	–	–	–	–	–	2,525
Exchange differences:										
Release of reserves upon disposal of a subsidiary	33	–	–	1,748	–	–	–	–	–	1,748
Exchange differences on translation of foreign operations		–	–	674,936	–	–	–	–	–	674,936
Hedges of net investments in foreign operations – effective portion of changes in fair value of hedging instruments during the year	42	–	–	(578,515)	–	–	–	–	–	(578,515)
Total comprehensive income for the year		–	–	98,907	604,512	–	–	291,876	–	995,295
Rights Issue	30	129,411	2,458,812	–	–	–	–	–	–	2,588,223
Share issue expenses	30	–	(6,557)	–	–	–	–	–	–	(6,557)
At 31 December 2017		388,233	11,977,078*	98,303*	598,674*	–*	–*	3,618,189*	165,272*	16,845,749
Effect of adoption of HKFRS 9	2.2	–	–	–	(598,674)	11,593	267,137	315,144	–	(4,800)
At 1 January 2018 (restated)		388,233	11,977,078	98,303	–	11,593	267,137	3,933,333	165,272	16,840,949
Profit for the year		–	–	–	–	–	–	171,099	–	171,099
Other comprehensive income for the year:										
Financial assets at fair value through other comprehensive income										
Changes in fair value		–	–	–	–	(38,636)	488,318	–	–	449,682
Impairment of financial assets		–	–	–	–	4,972	–	–	–	4,972
Share of other comprehensive loss of joint ventures		–	–	(49,869)	–	–	–	–	–	(49,869)
Share of other comprehensive loss of associates		–	–	(21,723)	–	–	–	–	–	(21,723)
Exchange differences:										
Translation of foreign operations		–	–	(463,904)	–	–	–	–	–	(463,904)
Hedges of net investments in foreign operations – effective portion of changes in fair value of hedging instruments during the year	42	–	–	269,931	–	–	–	–	–	269,931
Total comprehensive income for the year		–	–	(265,565)	–	(33,664)	488,318	171,099	–	360,188
Final 2017 dividend approved		–	–	–	–	–	–	(77,647)	–	(77,647)
Reclassification adjustment for a gain on disposal of financial assets at fair value through other comprehensive income	18(i)	–	–	–	–	–	(20,531)	20,531	–	–
At 31 December 2018		388,233	11,977,078*	(167,262)*	–*	(22,071)*	734,924*	4,047,316*	165,272*	17,123,490

* These reserve accounts comprise the consolidated reserves of HK$16,735,257,000 (2017: HK$16,457,516,000) in the consolidated statement of financial position.

** The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations.

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**190,570**	303,493
Adjustments for:			
Depreciation	8	**4,869**	4,167
Impairment of an available-for-sale investment	6	**–**	78,949
Impairment losses on financial assets, net	8	**28,890**	–
Finance costs	7	**245,874**	152,986
Share of profits and losses of joint ventures	4	**(55,131)**	(1,652)
Share of profits and losses of associates	4	**(53,015)**	474
Interest income from debt investments	5	**(20,866)**	(10,988)
Interest income from loans receivable	5	**(51,552)**	(25,084)
Dividend income from listed equity investments	5	**(12,513)**	(10,406)
Dividend income from unlisted fund investments	5	**(50,297)**	(72,966)
Bank interest income	5	**(40,942)**	(17,309)
Other interest income	5	**–**	(32,624)
Fair value losses on financial assets at fair value through profit or loss, net	6	**119,717**	–
Fair value losses on equity investments at fair value through profit or loss, net	6	**–**	4,159
Fair value gains on derivative financial instruments - transaction not qualifying as hedges	5	**(35,767)**	(44,928)
Fair value gains on ineffectiveness of hedges of net investments in foreign operations	5	**(18,311)**	–
Fair value gains on investment properties, net	5	**(46,741)**	(33,245)
Gains on disposal of financial assets at fair value through profit or loss, net	5	**(47,030)**	–
Gains on disposal of available-for-sale investments	5	**–**	(13,248)
Gain on disposal of items of property and equipment	5	**–**	(176)
Compensation to acquirers of subsidiaries disposed of in prior years	6	**–**	15,849
Loss on disposal of a subsidiary	6	**–**	3,876
Gain on disposal of a joint venture	5	**–**	(84,720)
Gains on bargain purchase on acquisition of subsidiaries	5	**–**	(101,572)
Lease incentives	15	**61,800**	(35,518)
		219,555	79,517
Increase in properties under development		**–**	(7,185)
Decrease in completed properties held for sale	20.2	**–**	15,356
Increase in trade receivables		**(695)**	(4,229)
Decrease/(increase) in loans receivable		**(450,000)**	100,000
Decrease/(increase) in prepayments, deposits and other receivables		**31,563**	(63,942)
Decrease in equity investments at fair value through profit or loss		**–**	266,262
Decrease in financial assets at fair value through profit or loss		**59,992**	–
Decrease in deposits with brokerage companies		**1,552**	156,199
Decrease/(increase) in restricted bank balances		**16,981**	(177,575)
Increase/(decrease) in trade and other payables and accruals		**(206,418)**	190,370
Cash generated from/(used in) operations		**(327,470)**	554,773
Interest received		**48,502**	84,535
Dividends received		**62,810**	83,372
Tax paid, net		**(101,765)**	(53,749)
Interest paid		**(220,657)**	(144,892)
Net cash flows from/(used in) operating activities		**(538,580)**	524,039

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Net cash flows from/(used in) operating activities		**(538,580)**	524,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	32	**–**	(14,189,540)
Loans to a joint venture		**–**	(123,494)
Proceeds from disposal of a subsidiary		**–**	2,101,827
Proceeds from disposal of a joint venture		**–**	296,150
Proceeds from disposal of available-for-sale investments		**–**	1,560,205
Return of capital from/(investments in) joint ventures, net		**626,309**	(2,568,477)
Investments in associates		**(735,831)**	(132,029)
Decrease/(increase) in balances with associates		**943**	(747)
Distribution received from an associate		**78,367**	50,808
Deposits paid for acquisition of associates		**(256,034)**	–
Decrease/(increase) in pledged deposits		**3,745,250**	(5,072,750)
Additions to an investment property	15	**(15,059)**	(1,145)
Purchases of items of property and equipment	14	**(10,871)**	(1,572)
Purchases of available-for-sale investments		**–**	(658,968)
Purchases of financial assets at fair value through other comprehensive income		**(269,313)**	–
Purchases of financial assets at fair value through profit or loss		**(274,747)**	–
Interest received from bank deposits		**40,942**	17,309
Compensation to acquirers of subsidiaries disposed of in prior years	6	**–**	(15,849)
Proceeds from disposal of items of property and equipment		**63**	233
Proceeds from disposal of a financial asset at fair value through other comprehensive income		**313,103**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**413,286**	–
Net cash flows from/(used in) investing activities		**3,656,408**	(18,738,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of rights shares	30	**–**	2,581,666
Dividends paid		**(77,647)**	–
New bank borrowings		**6,632,292**	15,272,838
Repayment of bank borrowings		**(9,654,572)**	(2,448,635)
Net cash flows from/(used in) financing activities		**(3,099,927)**	15,405,869
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**17,901**	(2,808,131)
Cash and cash equivalents at beginning of year		**4,719,984**	7,510,847
Effect of foreign exchange rate changes, net		**(36,377)**	17,268
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,701,508**	4,719,984
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,351,455**	4,219,984
Non-pledged time deposits with original maturity of less than three months when acquired	25	**350,053**	500,000
Cash and cash equivalents as stated in the consolidated statement of cash flows		**4,701,508**	4,719,984

1. CORPORATE AND GROUP INFORMATION

C C Land Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

(i) property development and investment; and

(ii) treasury investment.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
C C Land Finance Limited	Hong Kong	Ordinary HK$2	100	Treasury investment
C C Land Management Limited	Hong Kong	Ordinary HK$1	100	Corporate management
C C Land Portfolio Inc.#	British Virgin Islands ("BVI")	Ordinary US$1	100	Treasury investment
Cheer Profit Investments Limited#	BVI	Ordinary US$1	100	Investment holding
Classical Noble Limited#	BVI	Ordinary US$1	100	Investment holding
Delight Universe Limited#	BVI	Ordinary US$1	100	Investment holding
Ever Channel Investments Limited#	BVI	Ordinary US$1	100	Investment holding
Everwin Global Holdings Limited#	BVI	Ordinary US$1	100	Investment holding
Fortune Point Holdings Limited###	BVI/ United Kingdom	Ordinary US$1	100	Property investment
Fortune Sail International Limited###	BVI/ United Kingdom	Ordinary US$1	100	Property investment
Global Palace Investments Limited	BVI/ Hong Kong	Ordinary US$1,000	100	Property holding
Green Charm Investments Limited#/###	BVI	Ordinary US$1	100	Investment holding
Honour Sky Holdings Limited#	BVI	Ordinary US$1	100	Investment holding
Hugo Delight Limited	Hong Kong	Ordinary HK$10,000	100	Property holding
Join Wise Enterprises Limited	Hong Kong	Ordinary HK$1	100	Treasury management
Jubilee Summer Limited#	BVI	Ordinary US$1	100	Investment holding
KS Leasehold S.à r.1. ("KS Leasehold")	Luxembourg/ United Kingdom	Ordinary GBP5,000,000	100	Property investment
Leadenhall Holding Co (Jersey) Ltd ("Leadenhall Holding")###	Jersey	Ordinary GBP428	100	Investment holding
Leadenhall Property Co (Jersey) Ltd ("Leadenhall Property")###	Jersey	Ordinary GBP400	100	Property investment

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2018 are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Marvel Leader Investments Limited ("Marvel Leader")#	BVI	Ordinary US$50,000	100	Investment holding
Massive Vast Group Limited#	BVI	Ordinary US$1	100	Investment holding
Mega Star International Investment Limited#	Hong Kong	Ordinary HK$1	100	Investment holding
Mighty Gain Enterprises Limited ("Mighty Gain")#	BVI	Ordinary US$1	100	Investment holding
Million Intelligence Group Limited#	BVI	Ordinary US$1	100	Investment holding
Novel Sky International Limited#	BVI	Ordinary US$1	100	Investment holding
Profit Vast Investment Limited	Hong Kong	Ordinary HK$1	100	Treasury investment
Smart Harmony Developments Limited#	BVI	Ordinary US$1	100	Investment holding
Universal Mission Limited#	BVI	Ordinary US$1	100	Investment holding
Well Mount Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Winner Joy Development Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Worthwell Investments Limited	BVI/ Hong Kong	Ordinary US$50,000	100	Treasury investment
Sichuan Zhong Yu Real Estate Company Limited */## (四川中渝置地有限公司)	The People's Republic of China ("PRC")/Mainland China	Registered US$15,000,000	100	Property development and investment
Tibet Huixing Yuejing Corporate Management Services Limited * (西藏滙星悦景企業管理服務有限公司)	PRC/Mainland China	Registered RMB20,000,000	100	Investments holding and management

These companies have no specific principal place of operations.

This company is registered as a wholly-foreign-owned enterprise under PRC law.

At 31 December 2018, the equity interests of these companies were pledged to certain banks to secure bank borrowings of HK$8,794,532,000 (2017: HK$6,470,533,000) granted to the Group (note 28).

* The English names of these companies are not official. They are direct translation from the Chinese names and are for identification purposes only.

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Except for Marvel Leader and Mighty Gain, the equity interests of all principal subsidiaries are indirectly held by the Company.

During the year ended 31 December 2017, the Group acquired KS Leasehold, Paddington Central III Unit Trust ("Paddington Trust"), Leadenhall Holding and Leadenhall Property from independent third parties. Further details of these acquisitions are included in note 32 to the financial statements.

During the year ended 31 December 2017, the Group disposed of a subsidiary to an independent third party. Further details of this disposal are included in note 33 to the financial statements.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

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

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *(continued)*

Classification and measurement *(continued)*

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$'000	Re-classification HK$'000	ECL HK$'000	Other HK$'000	HKFRS 9 measurement Amount HK$'000	HKFRS 9 measurement Category
Financial assets								
Available-for-sale investments		AFS[2]	2,687,399	(2,687,399)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(756,370)	–	–		
To: Financial assets at fair value through profit or loss	(ii)			(1,729,241)	–	–		
To: Debt investment at fair value through other comprehensive income	(iii)			(201,788)	–	–		
Financial assets at fair value through other comprehensive income								FVOCI[1]
– Equity investments		N/A	–	756,370	–	–	756,370	(equity)
– Debt investment		N/A	–	201,788	–	–	201,788	(debt)
From: Available-for-sale investments	(i)			756,370	–	–		
From: Available-for-sale investments	(iii)			201,788	–	–		
Trade receivables		L&R[3]	5,308	–	–		5,308	AC[4]
Loans and interest receivables		L&R	130,452	–	(5,748)	–	124,704	AC
Financial assets included in prepayments, deposits and other receivables		L&R	85,819	–	–	–	85,819	AC
Financial assets at fair value through profit or loss		FVPL[5]	–	2,040,115	–	–	2,040,115	FVPL (mandatory)
From: Available-for-sale investments	(ii)			1,729,241	–	–		
From: Equity investments at fair value through profit or loss	(iv)			310,874	–	–		
Equity investments at fair value through profit or loss		EIPL[6]	310,874	(310,874)	–	–	–	N/A
To: Financial assets at fair value through profit or loss	(iv)			(310,874)	–	–		
Derivative financial instruments		FVPL	44,739	–	–	–	44,739	FVPL
Deposits with brokerage companies		L&R	12,790	–	–	–	12,790	AC
Pledged deposits		L&R	5,072,750	–	–	–	5,072,750	AC
Restricted bank balances		L&R	168,302	–	–	–	168,302	AC
Cash and cash equivalents		L&R	4,719,984	–	–	–	4,719,984	AC
			13,238,417	–	(5,748)	–	13,232,669	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *(continued)*

Classification and measurement *(continued)*

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$'000	Re-classification HK$'000	ECL HK$'000	Other HK$'000	HKFRS 9 measurement Amount HK$'000	HKFRS 9 measurement Category
Other assets								
Deferred tax assets			–	–	–	948	948	
Total			13,238,417	–	(5,748)	948	13,233,617	
Financial liabilities								
Financial liabilities included in other payables and accruals		AC	514,452	–	–	–	514,452	AC
Interest-bearing bank borrowings		AC	13,635,111	–	–	–	13,635,111	AC
Derivative financial instruments		FVPL	86,915	–	–	–	86,915	FVPL
Total			14,236,478	–	–	–	14,236,478	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss
6 EIPL: Equity investments at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its unlisted fund investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as available-for-sale investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

(iv) The Group has reclassified its previous equity investments at fair value through profit or loss as financial assets at fair value through profit or loss.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 18 and 22 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 HK$'000	Re-measurement HK$'000	ECL allowances under HKFRS 9 at 1 January 2018 HK$'000
Available-for-sale investments under HKAS 39/debt investments at fair value through other comprehensive income under HKFRS 9	–	1,619	1,619
Loans and interest receivables	–	5,748	5,748
	–	7,367	7,367

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *(continued)*

Hedge accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of HKFRS 9, the Group designated the change in fair value of forward contracts and the changes in the carrying amount of foreign currency-denominated bank borrowings in its net investment hedge relationships. Upon adoption of HKFRS 9, the Group continues to designate the forward contracts and the foreign currency-denominated bank borrowings in its net investment hedge relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained earnings are as follows:

	Available-for-sale investment revaluation reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Fair value reserve (recycling) HK$'000	Retained earnings HK$'000
Balance as at 31 December 2017 under HKAS 39	598,674	–	–	3,618,189
Reclassification of equity investments from available-for-sale investments to financial assets at fair value through other comprehensive income	(419,557)	419,557	–	–
Reclassification of unlisted fund investments from available-for-sale investments to financial assets at fair value through profit or loss	(169,143)	–	–	169,143
Reclassification of debt investments from available-for-sale investments to financial assets at fair value through other comprehensive income	(9,974)	–	9,974	–
Reversal of the impairment losses under HKAS 39 for equity investments designated at fair value through other comprehensive income previously classified as available-for-sale investments	–	(152,420)	–	152,420
Recognition of expected credit losses for loans and interest receivables under HKFRS 9	–	–	–	(5,748)
Recognition of expected credit losses for debt investments at fair value through other comprehensive income under HKFRS 9	–	–	1,619	(1,619)
Deferred tax in relation to recognition of expected credit losses for loans and interest receivables above	–	–	–	948
Balance as at 1 January 2018 under HKFRS 9	–	267,137	11,593	3,933,333

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The directors of the Company have assessed the impact on application of HKFRS 15 and determined that the application of HKFRS 15 does not have any impact on the timing and amounts of revenue recognised in the respective reporting periods. However, the application of HKFRS 15 has resulted in more disclosures. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees - leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$62,790,000 as disclosed in note 36(b). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) *(continued)*

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

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

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

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

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

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

Property and equipment and depreciation

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

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

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

Land and buildings	2% or over the unexpired terms of the leases if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases if less than 5 years
Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20% to 25%

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

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

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Golf club membership

Golf club membership acquired is measured on initial recognition at cost and its useful life is assessed to be indefinite.

Golf club membership is tested for impairment annually and not amortised. It is considered as having an indefinite useful life as there is no time limit for which the Group can use the membership, and therefore it will not be amortised until its useful life is determined to be finite upon reassessment annually. Accordingly, its useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Properties under development

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

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

Sales deposits/instalments received and receivable from purchasers in respect of the pre-sale of properties under development prior to completion of the development are included in current liabilities.

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

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

Financial assets at fair value through other comprehensive income (debt instruments)

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

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

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

Financial assets designated at fair value through other comprehensive income (equity investments)

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

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Financial assets at fair value through profit or loss *(continued)*

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

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

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

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

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as revenue in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

General approach

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

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(continued)*

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss - is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of revenue. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, financial guarantee contracts, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

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

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

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

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

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contract and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(continued)*

Initial recognition and subsequent measurement *(continued)*

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges of a net investment

Hedges of a net investment in a foreign operation which meet all the qualifying criteria for hedge accounting, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. The related hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Cash and cash equivalents

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents *(continued)*

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

Interest income

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

Revenue from other sources

(i) Rental income is recognised on a time proportion basis over the lease terms;

(ii) Dividend income is recognised when the shareholders' right to receive payment has been established; and

(iii) Income from the sale of listed securities is recognised on the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 January 2018)

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

(a) from the sale of properties, when the significant risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured;

(b) rental income from properties, in the period in which the properties are let and on a straight-line basis over the lease terms;

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

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

(e) income from the sale of listed securities, on the trade date.

Contract assets (applicable from 1 January 2018)

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

Contract liabilities (applicable from 1 January 2018)

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

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

(c) The costs are expected to be recovered.

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

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or services conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

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

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

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular operation is recognised in the statement of profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosures of contingent liabilities. Uncertain about these assumptions and estimates could result in outcome that could require a material adjustment to the carrying amount of the assets or liabilities in the future.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation of fair value of investment properties

The fair values of the Group's investment properties are determined by independent valuers on an open market, existing use basis. In making the judgement of determination of the fair values, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period such as the estimated rental value of the relevant properties and appropriate capitalisation rates. Relevant estimates are regularly compared to actual market data. More details are given in note 15 to the financial statements.

Impairment of debt investments at fair value through other comprehensive income and loans and interest receivables

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default, losses given default and collateral recovery, changes in which can result in different levels of allowances.

The Group's expected credit loss calculations on debt investments and loans receivable are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates (such as gross domestic product and market volatility) at the end of each reporting period. It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

At 31 December 2018, the carrying amount of the Group's debt investments at fair value through other comprehensive income and loans and interest receivables amounted to HK$436,377,000 (2017: HK$201,788,000) and HK$570,677,000 (2017: HK$130,452,000), respectively, and impairment losses aggregated to HK$28,890,000 (2017: Nil) have been recognised for the Group's debt investments at fair value through other comprehensive income and loans and interest receivables for the year ended 31 December 2018. Further details of the Group's debt investments at fair value through other comprehensive income and loans and interest receivables, and the key assumptions and inputs used for impairment calculations are given in notes 18 and 22 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

Property development and investment segment	–	Development and investment of properties
Treasury investment segment	–	Investments in securities and notes receivable, and provision of financial services

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Information regarding the reportable segments is presented below.

Reportable segment information

Year ended 31 December 2018

	Property development and investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment revenue (note 5)			
Revenue from external customers	**490,119**	**160,985**	**651,104**
Segment results	**532,291**	**(31,136)**	**501,155**
Corporate and unallocated expenses			**(64,711)**
Finance costs			**(245,874)**
Profit before tax			**190,570**
Other segment information:			
Share of profits of:			
Joint ventures	**55,131**	**–**	**55,131**
Associates	**53,015**	**–**	**53,015**
Capital expenditure in respect of items of property and equipment	**10,871**	**–**	**10,871**
Depreciation	**4,869**	**–**	**4,869**
Fair value gains on derivative financial instruments - transaction not qualifying as hedges	**35,767**	**–**	**35,767**
Fair value gains on ineffectiveness of hedges of net investments in foreign operations	**18,311**	**–**	**18,311**
Fair value gains on investment properties, net	**46,741**	**–**	**46,741**
Fair value losses on financial assets at fair value through profit or loss, net	**–**	**119,717**	**119,717**
Impairment losses on financial assets, net	**–**	**28,890**	**28,890**
Investments in joint ventures	**2,736,999**	**–**	**2,736,999**
Investments in associates	**914,929**	**–**	**914,929**

Year ended 31 December 2017

	Property development and investment HK$'000	Treasury investment HK$'000	Total HK$'000
Segment revenue (note 5)			
Revenue from external customers	362,591	101,970	464,561
Segment results	563,280	(41,660)	521,620
Corporate and unallocated expenses			(65,141)
Finance costs			(152,986)
Profit before tax			303,493
Other segment information:			
Share of profits/(losses) of:			
Joint ventures	1,652	–	1,652
Associates	(474)	–	(474)
Capital expenditure in respect of items of property and equipment	1,572	–	1,572
Depreciation	4,192	–	4,192
Fair value gains on derivative financial instruments	44,928	–	44,928
Fair value gains on investment properties, net	33,245	–	33,245
Fair value losses on equity investments at fair value through profit or loss, net	–	4,159	4,159
Impairment of an available-for-sale investment	–	78,949	78,949
Investments in joint ventures	3,358,046	–	3,358,046
Investments in associates	227,116	–	227,116

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2018 HK$'000	2017 HK$'000
United Kingdom	**490,119**	342,891
Mainland China	**53,960**	92,666
Hong Kong	**107,025**	29,004
	651,104	464,561

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

(b) Non-current assets

	2018 HK$'000	2017 HK$'000
United Kingdom	**16,311,664**	18,475,123
Mainland China	**1,306,683**	95,617
Hong Kong	**626,499**	197,621
Australia	**192,266**	156,089
	18,437,112	18,924,450

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of HK$99,041,000 and HK$68,735,000 (2017: HK$59,114,000 and HK$47,539,000) were derived from two (2017: two) tenants in the property development and investment segment.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue, other income and gains, net, is as follows:

	2018 HK$'000	2017 HK$'000 (Restated)
Revenue		
Revenue from contracts with customers		
Sales of properties	–	19,700
Interest income		
Interest income from debt investments	**20,866**	10,988
Interest income from loans receivable	**51,552**	25,084
	72,418	36,072
Revenue from other sources		
Gross rental income*	**490,119**	342,891
Losses on disposal of equity investments at fair value through profit or loss, net	–	(17,474)
Gains on disposal of financial assets at fair value through profit or loss, net	**25,757**	–
Dividend income from listed equity investments	**12,513**	10,406
Dividend income from unlisted fund investments	**50,297**	72,966
	578,686	408,789
	651,104	464,561
Other income and gains, net		
Bank interest income	**40,942**	17,309
Other interest income	–	32,624
Gains on bargain purchase on acquisition of subsidiaries (note 32)	–	101,572
Gain on disposal of a joint venture	–	84,720
Fair value gains on derivative financial instruments		
- transaction not qualifying as hedges	**35,767**	44,928
Fair value gains on ineffectiveness of hedges of net investments in foreign operations	**18,311**	–
Fair value gains on investment properties, net (note 15)	**46,741**	33,245
Gains on disposal of financial assets at fair value through profit or loss, net	**47,030**	–
Gains on disposal of available-for-sale investments	–	13,248
Compensation from a contractor	–	11,346
Gain on disposal of items of property and equipment	–	176
Exchange gains, net	–	106,335
Others	**2,737**	54
	191,528	445,557

* Gross rental income included contingent rents received under operating leases of HK$7,673,000 (2017: HK$5,789,000) during the year.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2018 HK$'000	2017 HK$'000
Fair value losses on financial assets at fair value through profit or loss, net	**119,717**	–
Fair value losses on equity investments at fair value through profit or loss, net	**–**	4,159
Impairment of an available-for-sale investment (note 18)	**–**	78,949
Compensation to acquirers of subsidiaries disposed of in prior years	**–**	15,849
Loss on disposal of a subsidiary (note 33)	**–**	3,876
Exchange losses, net	**63,108**	–
Others	**86**	–
	182,911	102,833

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	**245,874**	152,986

8. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of properties sold	20.2	**–**	15,356
Depreciation	14	**4,869**	4,192
Less: Amount capitalised		**–**	(25)
		4,869	4,167
Minimum lease payments under operating leases		**16,992**	8,895
Auditor's remuneration		**4,800**	5,253
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**178,411**	161,259
Pension scheme contributions		**5,233**	4,571
Less: Amount capitalised		**–**	(534)
		183,644	165,296
Foreign exchange differences, net	5, 6	**63,108**	(106,335)
Impairment of financial assets, net			
Impairment of debt investments at fair value through other comprehensive income	18	**4,972**	–
Impairment of loans and interest receivables, net	22	**23,918**	–
		28,890	–
Gross rental income		**(490,119)**	(342,891)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**5,474**	2,749
Net rental income		**(484,645)**	(340,142)

9. DIRECTORS' REMUNERATION

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

	2018 HK$'000	2017 HK$'000
Fees	**2,020**	1,955
Other emoluments:		
Salaries, allowances and benefits in kind	**39,755**	28,290
Performance related bonuses*	**35,800**	37,300
Pension scheme contributions	**1,293**	1,274
	76,848	66,864
	78,868	68,819

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Group's operating results, individual performance of the directors and comparable market statistics during the year.

During the year, the Group provided a leasehold property in Hong Kong as staff quarters for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, was HK$600,000 (2017: HK$600,000).

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

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2018 HK$'000	2017 HK$'000
Mr. Lam Kin Fung Jeffrey	**760**	735
Mr. Leung Yu Ming Steven	**630**	610
Dr. Wong Lung Tak Patrick	**630**	610
	2,020	1,955

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

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018					
Executive directors:					
Mr. Cheung Chung Kiu	**–**	**11,700**	**13,500**	**18**	**25,218**
Dr. Lam How Mun Peter	**–**	**10,350**	**8,000**	**450**	**18,800**
Mr. Tsang Wai Choi*	**–**	**2,105**	**–**	**105**	**2,210**
Mr. Leung Chun Cheong	**–**	**2,860**	**2,000**	**132**	**4,992**
Mr. Leung Wai Fai	**–**	**5,590**	**4,300**	**258**	**10,148**
Mr. Wong Chi Keung	**–**	**7,150**	**8,000**	**330**	**15,480**
	–	**39,755**	**35,800**	**1,293**	**76,848**
2017					
Executive directors:					
Mr. Cheung Chung Kiu	–	–	15,000	–	15,000
Dr. Lam How Mun Peter	–	9,960	8,000	432	18,392
Mr. Tsang Wai Choi*	–	5,720	–	264	5,984
Mr. Leung Chun Cheong	–	2,730	2,000	126	4,856
Mr. Leung Wai Fai	–	4,030	4,300	182	8,512
Mr. Wong Chi Keung	–	5,850	8,000	270	14,120
	–	28,290	37,300	1,274	66,864

* Mr. Tsang Wai Choi retired as an executive director of the Company with effect from 21 May 2018.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2017: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2017: one) non-director, highest paid employee are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances, and benefits in kind	**3,640**	3,380
Performance related bonuses	**8,000**	8,000
Pension scheme contributions	**168**	156
	11,808	11,536

The number of non-director, highest paid employee whose remuneration fell within the following band is as follows:

	No. of individuals 2018	2017
HK$11,500,001 to HK$12,000,000	**1**	1

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018 HK$'000	2017 HK$'000
Current charge for the year		
Hong Kong	**5,247**	522
Mainland China	**18,506**	7,660
United Kingdom	**13,305**	9,256
Underprovision/(overprovision) in prior years		
Hong Kong	**493**	(363)
Mainland China	**(8,088)**	(2,245)
United Kingdom	**(9,331)**	–
Deferred tax (note 29)	**(661)**	(3,213)
Total tax charge for the year	**19,471**	11,617

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**190,570**	303,493
Tax at the statutory tax rates of different jurisdictions	**38,959**	36,969
Adjustments in respect of current tax of previous periods	**(16,926)**	(2,608)
Profits and losses attributable to joint ventures	**(9,097)**	(273)
Profits and losses attributable to associates	**(8,747)**	78
Income not subject to tax	**(90,134)**	(109,549)
Expenses not deductible for tax	**82,250**	79,523
Tax losses not recognised	**23,166**	7,477
Tax expense at the Group's effective rate	**19,471**	11,617

The share of tax attributable to associates and joint ventures amounting to HK$13,621,000 (2017: Nil) and HK$38,915,000 (2017: HK$12,562,000), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss, respectively.

12. DIVIDENDS

	2018 **HK$'000**	2017 HK$'000
Proposed final - HK$0.02 (2017: HK$0.02) per ordinary share	**77,647**	77,647

The final dividend for the year ended 31 December 2018 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

No interim dividend was declared in respect of the years ended 31 December 2018 and 2017.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the year ended 31 December 2017 had been adjusted to reflect the impact of the Rights Issue (as defined in note 30 to the consolidated financial statements) completed on 28 April 2017.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the share options outstanding had no dilutive effect on the basic earnings per share presented.

The calculations of basic and diluted earnings per share are based on:

	2018 **HK$'000**	2017 HK$'000
Earnings		
Profits attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**171,099**	291,876

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**3,882,334,668**	3,466,735,021

14. PROPERTY AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	**102,078**	**1,935**	**6,829**	**16,349**	**127,191**
Accumulated depreciation	**(7,252)**	**(1,931)**	**(4,760)**	**(13,433)**	**(27,376)**
Net carrying amount	**94,826**	**4**	**2,069**	**2,916**	**99,815**
At 1 January 2018, net of accumulated depreciation	**94,826**	**4**	**2,069**	**2,916**	**99,815**
Additions	**–**	**5,863**	**5,008**	**–**	**10,871**
Disposals	**–**	**–**	**–**	**(63)**	**(63)**
Depreciation provided during the year	**(2,622)**	**(627)**	**(475)**	**(1,145)**	**(4,869)**
Exchange realignment	**–**	**–**	**(43)**	**(30)**	**(73)**
At 31 December 2018, net of accumulated depreciation	**92,204**	**5,240**	**6,559**	**1,678**	**105,681**
At 31 December 2018:					
Cost	**102,078**	**6,232**	**9,857**	**7,570**	**125,737**
Accumulated depreciation	**(9,874)**	**(992)**	**(3,298)**	**(5,892)**	**(20,056)**
Net carrying amount	**92,204**	**5,240**	**6,559**	**1,678**	**105,681**
31 December 2017					
At 1 January 2017:					
Cost	102,078	1,935	6,282	19,365	129,660
Accumulated depreciation	(5,380)	(1,893)	(4,854)	(13,696)	(25,823)
Net carrying amount	96,698	42	1,428	5,669	103,837
At 1 January 2017, net of accumulated depreciation	96,698	42	1,428	5,669	103,837
Additions	–	–	1,063	509	1,572
Disposals	–	–	(15)	(42)	(57)
Depreciation provided during the year	(1,872)	(38)	(362)	(1,920)	(4,192)
Disposal of a subsidiary (note 33)	–	–	(79)	(1,357)	(1,436)
Exchange realignment	–	–	34	57	91
At 31 December 2017, net of accumulated depreciation	94,826	4	2,069	2,916	99,815
At 31 December 2017:					
Cost	102,078	1,935	6,829	16,349	127,191
Accumulated depreciation	(7,252)	(1,931)	(4,760)	(13,433)	(27,376)
Net carrying amount	94,826	4	2,069	2,916	99,815

At 31 December 2018, one of the Group's buildings with a carrying amount of HK$79,776,000 (2017: HK$82,027,000) was pledged to secure general banking facilities granted to the Group (note 28).

15. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January	**15,228,933**	–
Acquisition of subsidiaries (note 32)	**–**	14,343,476
Additions	**15,059**	1,145
Lease incentives	**(61,800)**	35,518
Net gain from fair value adjustments (note 5)	**46,741**	33,245
Exchange realignment	**(834,422)**	815,549
Carrying amount at 31 December	**14,394,511**	15,228,933

The Group's investment properties consist of two commercial properties in the United Kingdom. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Knight Frank Petty Limited, a firm of independent professionally qualified valuers, at HK$14,394,511,000. Each year, the Group appoints which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The finance department includes a team that reviews the valuations performed by the external valuers for financial reporting purposes and reports directly to senior management. Discussions of valuation processes, assumptions and results are held between senior management and the external valuers twice a year when the valuations are performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

At 31 December 2018, the Group's investment properties with a carrying value of HK$14,394,511,000 (2017: HK$12,089,375,000) were pledged to secure general banking facilities granted to the Group (note 28).

Further particulars of the Group's investment properties are included on page 109.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**14,394,511**	**14,394,511**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	15,228,933	15,228,933

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

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000
Carrying amount at 1 January 2017	–
Acquisition of subsidiaries	14,343,476
Additions	1,145
Lease incentives	35,518
Net gain from fair value adjustments	33,245
Exchange realignment	815,549
Carrying amount at 31 December 2017 and 1 January 2018	**15,228,933**
Additions	**15,059**
Lease incentives	**(61,800)**
Net gain from fair value adjustments	**46,741**
Exchange realignment	**(834,422)**
Carrying amount at 31 December 2018	**14,394,511**

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

	Valuation technique	**Significant unobservable inputs**	**Range 2018**	Range 2017
Commercial properties	Income capitalisation approach	Estimated rental value (per square foot per annum)	**GBP51 to GBP107.5**	GBP52 to GBP107.5
		Equivalent yield	**3.90% to 4.70%**	4.01% to 4.98%

The fair value of the investment properties which are classified as Level 3 of the fair value hierarchy is determined by using the income capitalisation approach based on capitalisation of net income with due allowance of outgoings and reversionary income potential. Measurement of the fair value is positively correlated to the estimated rental value and inversely correlated to the equivalent yield rate.

16. INVESTMENTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Share of net assets	**2,736,999**	3,358,046

16. INVESTMENTS IN JOINT VENTURES *(continued)*

Particulars of the Group's material joint ventures are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing
Distinct Global Investments Limited ("Distinct Global")	Ordinary shares of US$1 each	BVI	47	47	47
Anton Capital Investment Vehicle III ("ACIV III")	Ordinary units of AUD1 each	Australia	46	46	46
Instant Glory International Limited ("Instant Glory")	Ordinary shares of US$1 each	BVI	50	50	50
Concept Castle Limited ("Concept Castle")	Ordinary shares of US$1 each	BVI	50	50	50
Excel Winner Limited ("Excel Winner")	Ordinary shares of HK$1 each	Hong Kong	50	50	50
Excel Winner UK Limited ("Excel Winner UK")	Ordinary shares of GBP1 each	England & Wales	50	50	50
Sun Vessel Global Limited ("Sun Vessel")	Ordinary shares of US$1 each	BVI	50	50	50
Beauty Bay International Limited ("Beauty Bay")	Ordinary shares of US$1 each	BVI	48.98	50	48.98
Billion Thriving Limited ("Billion Thriving")	Ordinary shares of US$1 each	BVI	48.98	50	48.98
Smart Era Development Limited ("Smart Era")	Ordinary shares of HK$1 each	Hong Kong	48.98	50	48.98

Distinct Global is an investment holding company which holds a 98% equity interest of ACIV III (collectively "Distinct Global Group").

Instant Glory is an investment holding company which holds directly and indirectly the entire 100% equity interest of Concept Castle, Excel Winner and Excel Winner UK (collectively "Instant Glory Group"). Excel Winner UK is a property development company.

Sun Vessel is a vessel holding company.

Beauty Bay is an investment holding company which holds directly and indirectly the entire 100% equity interest of Billion Thriving and Smart Era (collectively "Beauty Bay Group"). Smart Era is a company engaged in investment holding.

All these joint ventures are unlisted and indirectly held by the Company.

Distinct Global Group, Instant Glory Group, Sun Vessel and Beauty Bay Group are considered as material joint ventures of the Group and are accounted for using the equity method.

16. INVESTMENTS IN JOINT VENTURES *(continued)*

The following tables illustrate the summarised financial information in respect of Distinct Global Group, Instant Glory Group, Sun Vessel and Beauty Bay Group and reconciled to the carrying amount in the consolidated financial statements:

Distinct Global Group

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	**650,853**	59,727
Other current assets	**11,903**	1,598
Current assets	**662,756**	61,325
Non-current assets	**–**	615,312
Current financial liabilities, excluding trade and other payables	**(28)**	(3,319)
Other current liabilities	**(167,042)**	(1,854)
Current liabilities	**(167,070)**	(5,173)
Non-current financial liabilities, excluding trade and other payables and provisions	**–**	(182,766)
Other non-current liabilities	**–**	(36,365)
Non-current liabilities	**–**	(219,131)
Net assets	**495,686**	452,333
Non-controlling interests	**(146,028)**	(120,229)
Net assets attributable to the owners of Distinct Global Group	**349,658**	332,104
Reconciliation to the Group's interests		
Proportion of the Group's ownership	**47%**	47%
Group's share of net assets	**164,339**	156,089
Carrying amount of the investment	**164,339**	156,089
Revenue	**22,151**	21,535
Other income	**224,150**	121,210
Interest income	**441**	299
Interest expense	**–**	(7,888)
Income tax expense	**(71,091)**	(36,365)
Profit for the year	**88,990**	87,556
Other comprehensive income/(loss)	**(33,052)**	4,610
Total comprehensive income for the year	**55,938**	92,166

Instant Glory Group

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	**28,895**	31,906
Other current assets	**6,471,950**	922,922
Current assets	**6,500,845**	954,828
Non-current assets	**2,565**	5,753,753
Current financial liabilities, excluding trade and other payables	**(2,176,094)**	–
Other current liabilities	**(164,633)**	(809)
Current liabilities	**(2,340,727)**	(809)
Non-current liabilities	**(467,893)**	(481,247)
Net assets	**3,694,790**	6,226,525
Reconciliation to the Group's interests		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**1,847,395**	3,113,262
Carrying amount of the investment	**1,847,395**	3,113,262
Loss for the year	**(14,997)**	(24)
Total comprehensive loss for the year	**(14,997)**	(24)

16. INVESTMENTS IN JOINT VENTURES *(continued)*

Sun Vessel

	2018 HK$'000	2017 HK$'000
Current assets	**220**	196
Non-current assets	**149,295**	176,481
Financial liabilities, excluding trade and other payables	**(483)**	(545)
Current liabilities	**(483)**	(545)
Net assets	**149,032**	176,132
Reconciliation to the Group's interests		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**74,516**	88,066
Carrying amount of the investment	**74,516**	88,066
Depreciation	**(27,611)**	(27,436)
Loss for the year	**(28,058)**	(27,934)
Other comprehensive income for the year	**449**	1,234
Total comprehensive loss for the year	**(27,609)**	(26,700)

Beauty Bay Group

	2018 HK$'000
Cash and cash equivalents	**60**
Other current assets	**177,974**
Current assets	**178,034**
Non-current assets	**1,114,117**
Current liabilities	**(29,943)**
Net assets	**1,262,208**
Reconciliation to the Group's interests	
Proportion of the Group's ownership	**48.98%**
Group's share of net assets	**618,229**
Carrying amount of the investment	**618,229**
Interest income	**177,648**
Income tax expense	**(29,312)**
Profit for the year	**147,397**
Other comprehensive loss for the year	**(76,909)**
Total comprehensive income for the year	**70,488**

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018 HK$'000	2017 HK$'000
Share of the joint ventures' loss for the year	**(19,582)**	(14,841)
Share of the joint ventures' other comprehensive income/(loss)	**3,112**	(4,527)
Share of the joint ventures' total comprehensive loss	**(16,470)**	(19,368)
Aggregate carrying amount of the Group's investments in joint ventures	**32,520**	629

17. INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	**914,929**	226,173
Due from associates	**–**	943
	914,929	227,116

The amounts due from associates are unsecured, interest-free and repayable on demand. In the opinion of the directors, the amounts are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investments in the associates.

Particulars of the material associates are as follows:

Name	Place of incorporation/ registration and business	Particulars of shares held	Percentage of ownership interest attributable to the Group 2018	2017	Principal activities
Fine Ahead Limited ("Fine Ahead")	BVI	Ordinary shares of US$1 each	**35%**	35%	Investment holding
PRECP Development Venture I Limited ("PRECP")	Cayman Islands	Ordinary shares of US$1 each	**31.75%**	31.75%	Investment holding
Modern Crescent Limited ("Modern Crescent")	BVI	Ordinary shares of US$1 each	**25%**	–	Investment holding
Health Link Investment Limited ("Health Link")	Hong Kong	Ordinary shares of HK$1 each	**25%**	–	Property investment
Zhuzhou Real Estate Company Limited* ("Zhuzhou Real Estate") (株洲金碧置業有限公司)	PRC/Mainland China	Registered RMB630,000,000	**42.86%**	–	Property development

* The English name of Zhuzhou Real Estate is not official. It is direct translation from the Chinese name and is for identification purpose only.

Modern Crescent is an investment holding company which holds indirectly the entire 100% equity interest of Health Link (collectively "Modern Crescent Group") and was newly invested by the Group during the year. Health Link is a property investment company.

During the year, the Group acquired 42.86% equity interest in Zhuzhou Real Estate by way of capital contribution of RMB270,000,000 (equivalent to HK$326,458,000) into Zhuzhou Real Estate. The capital contribution was completed in July 2018 and a gain on bargain purchase of HK$52,307,000 was recognised and included in the share of profits and losses of associates for the year ended 31 December 2018.

The Group's shareholdings in these associates comprise equity shares held through subsidiaries of the Company.

The following table illustrates the summarised financial information in respect of Fine Ahead, PRECP, Modern Crescent Group and Zhuzhou Real Estate and reconciled to the carrying amount in the consolidated financial statements:

Fine Ahead

	2018 HK$'000	2017 HK$'000
Current assets	**196,250**	2,661
Non-current assets	**–**	378,450
Current liabilities	**–**	(2,685)
Net assets	**196,250**	378,426
Reconciliation to the Group's interest:		
Proportion of the Group's ownership	**35%**	35%
Group's share of net assets	**68,688**	132,449
Due from Fine Ahead	**–**	353
Carrying amount of the investment	**68,688**	132,802
Loss for the year	**(26,306)**	(33)
Total comprehensive loss for the year	**(26,306)**	(33)

17. INVESTMENTS IN ASSOCIATES *(continued)*

PRECP

	2018 HK$'000	2017 HK$'000
Current assets	**1,791**	76,111
Non-current assets	**328,190**	227,384
Current liabilities	**(8,893)**	(8,302)
Net assets	**321,088**	295,193
Reconciliation to the Group's interest:		
Proportion of the Group's ownership	**31.75%**	31.75%
Group's share of net assets	**101,945**	93,724
Due from PRECP	**–**	590
Carrying amount of the investment	**101,945**	94,314
Profit/(loss) for the year	**107,277**	(1,457)
Other comprehensive income/(loss) for the year	**(6,384)**	7,952
Total comprehensive income for the year	**100,893**	6,495

Modern Crescent Group

	2018 HK$'000
Current assets	**7,663,227**
Current liabilities	**(1,991,508)**
Non-current liabilities	**(4,058,911)**
Net assets	**1,612,808**
Reconciliation to the Group's interest:	
Proportion of the Group's ownership	**25%**
Group's share of net assets	**403,202**
Carrying amount of the investment	**403,202**
Revenue	**66,288**
Loss for the year	**(23,761)**
Total comprehensive loss for the year	**(23,761)**

Zhuzhou Real Estate

	2018 HK$'000
Current assets	**1,641,730**
Non-current assets	**543,852**
Current liabilities	**(938,547)**
Non-current liabilities	**(451,149)**
Net assets	**795,886**
Reconciliation to the Group's interest:	
Proportion of the Group's ownership	**42.86%**
Group's share of net assets	**341,094**
Carrying amount of the investment	**341,094**
Profit for the year	**79,569**
Other comprehensive loss for the year	**(45,962)**
Total comprehensive income for the year	**33,607**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2018 HK$'000	2017 HK$'000
Financial assets at fair value through other comprehensive income			
Equity investments designated at fair value through other comprehensive income	(i)	**931,585**	–
Debt investments at fair value through other comprehensive income	(ii)	**436,377**	–
Available-for-sale investments	(iii)		
Listed equity investments, at fair value		**–**	756,370
Unlisted fund investments, at fair value		**–**	1,729,241
Debt investment, at fair value		**–**	201,788
		1,367,962	2,687,399
Portion classified as current assets		**(76,822)**	–
Non-current assets portion		**1,291,140**	2,687,399

Notes:

(i) The above equity investments are investments in companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year, the Group partially disposed of one of the equity investments for investment diversification consideration. The fair value of the related shares on the date of sale was HK$313,500,000 and the accumulated gain recognised in other comprehensive income of HK$20,531,000 was transferred to retained earnings. During the year ended 31 December 2018, the Group received dividends in the amount of HK$3,836,000 from the equity investments designated at fair value through other comprehensive income.

(ii) At 31 December 2018, the Group held three (2017: one) senior notes with an aggregate principal of US$60,000,000 (equivalent to HK$465,000,000) (2017: US$25,000,000 (equivalent to HK$193,750,000)) issued by certain companies (the "Issuers") listed on the Stock Exchange. These senior notes bear interest at rates ranging from 8.75% to 12% (2017: 8.75%) per annum, payable semi-annually and will mature in 2019 to 2025 (2017: 2025). The Issuers may redeem all or any part of the senior notes prior to the maturity at redemption prices applicable from time to time.

(iii) During the year ended 31 December 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$555,647,000, of which a loss of HK$65,701,000 was reclassified from other comprehensive income to the statement of profit or loss for the year ended 31 December 2017.

(iv) Impairment assessment of debt investments at fair value through other comprehensive income

Impairment under HKFRS 9 for the year ended 31 December 2018

As at 31 December 2018, none of the debt investments were overdue (2017: Nil) and all the debt investments were categorised within Stage 1 for the measurement of expected credit losses. An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to risk of default of the Issuers or comparable companies. As at 31 December 2018, the probability of default applied ranged from 3.53% to 3.70% and the loss given default was estimated to be approximately 38% to 52%.

The movements in the loss allowance for the impairment of debt investments at fair value through other comprehensive income are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**–**	–
Effect of adoption of HKFRS 9	**1,619**	–
At 1 January (restated)	**1,619**	–
Impairment losses, net (note 8)		
Changes in risk parameters	**177**	–
New senior notes purchased	**4,795**	–
	4,972	–
At 31 December	**6,591**	–

Impairment under HKAS 39 for the year ended 31 December 2017

There was a significant decline in the market value of an equity investment during the year ended 31 December 2017. The directors consider that such a decline indicates that the equity investment has been impaired and an impairment loss of HK$78,949,000, which was included in the reclassification adjustment of HK$65,701,000 in note (iii) above, has been recognised in the statement of profit or loss for the year ended 31 December 2017.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss		
Listed equity investments	**191,995**	–
Other unlisted investments	**1,445,963**	–
Equity investments at fair value through profit or loss		
Listed equity investments	**–**	310,874
	1,637,958	310,874
Portion classified as current assets	**(191,995)**	(310,874)
Non-current assets portion	**1,445,963**	–

The above listed equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments at 31 December 2018 were fund investments. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Assuming the portfolio of the Group's listed equity investments remained unchanged, the market value of the Group's listed equity investments at fair value through profit or loss at the date of approval of these financial statements was HK$226,157,000.

20.1 PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
At beginning of year	**–**	246,595
Additions (including development costs and expenses)	**–**	7,210
Disposal of a subsidiary (note 33)	**–**	(258,290)
Exchange realignment	**–**	4,485
At end of year	**–**	–

20.2 COMPLETED PROPERTIES HELD FOR SALE

	2018 HK$'000	2017 HK$'000
At beginning of year	**–**	306,947
Properties sold (note 8)	**–**	(15,356)
Disposal of a subsidiary (note 33)	**–**	(297,177)
Exchange realignment	**–**	5,586
At end of year	**–**	–

21. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**5,679**	5,308

The trade receivables primarily include rental receivables which are normally billed in advance and due on the first day of the billing period. Certain tenants are required to pay security deposits which are held by the property manager on trust for both the Group and the Group's tenants. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**1,225**	4,230
1 to 2 months	**4,454**	–
3 to 6 months	**–**	1,078
	5,679	5,308

Impairment under HKFRS 9 for the year ended 31 December 2018

The Group's tenants normally settle their bills in a timely manner and the Group's trade receivables as at the end of the reporting period aged less than three months. As such, the Group's exposure to credit risk is insignificant and the directors of the Company were of the opinion that the ECL of these rental receivables is minimal.

21. TRADE RECEIVABLES *(continued)*

Impairment under HKAS 39 for the year ended 31 December 2017

An ageing analysis of the trade receivables as at 31 December 2017 that were not considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	2,192
Less than 1 month past due	2,038
3 to 6 months past due	1,078
	5,308

Receivables that were past due but not impaired related to a customer that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

22. LOANS AND INTEREST RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Loans receivable		
Secured	**40,000**	130,000
Unsecured	**540,000**	–
	580,000	130,000
Less: Impairment allowance	**(29,666)**	–
	550,334	130,000
Interest receivable	**20,343**	452
	570,677	130,452

The Group's loans receivable are stated at amortised cost and bear fixed interest rates. The credit terms of these loans receivable range from 1 month to 12 months.

As at 31 December 2018, the Group's loans receivable amounted to HK$40,000,000 (2017: HK$130,000,000) and HK$350,000,000 (2017: Nil) were secured by certain antiques (2017: certain antiques and the equity interest of a private company) and guaranteed by a shareholder of the borrower, respectively. The market values of the collaterals held by the Group are not readily determinable or cannot be reasonably established and verified.

As these loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no significant concentration of credit risk over these loans receivable. The carrying amounts of these loans receivable approximate to their fair values.

The movements in the loss allowance for the impairment of loans and interest receivables are as follows:

Impairment under HKFRS 9 for the year ended 31 December 2018

	2018 **HK$'000**	2017 HK$'000
At 1 January	**–**	–
Effect of adoption of HKFRS 9	**5,748**	–
At 1 January (restated)	**5,748**	–
Impairment losses, net (note 8)		
Loans repaid/derecognised	**(2,064)**	–
New loans granted	**25,982**	–
	23,918	–
At 31 December	**29,666**	–

As at 31 December 2018, none of the loans and interest receivables were overdue (2017: Nil) and all the balances were categorised within Stage 1 for the measurement of expected credit losses. An impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the borrowers or comparable companies. As at 31 December 2018, the probability of default applied ranged from 2.48% to 27.32% and the loss given default was estimated to be approximately 52%.

Impairment under HKAS 39 for the year ended 31 December 2017

At 31 December 2017, all the loans and interest receivables were not past due, and not individually nor collectively considered to be impaired, and related to a number of independent loan borrowers for whom there was no recent history of default. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**8,256**	5,455
Deposits and other receivables	**120,651**	85,819
Deposits paid for acquisition of associates	**244,424**	–
Total prepayments, deposits and other receivables	**373,331**	91,274
Less: Deposits classified as non-current assets	**(280,808)**	–
Current assets portion	**92,523**	91,274

Deposits and other receivables mainly represent rental deposits, deposits with vendors and receivables from counterparties which have no history of default. The financial assets included in the above balances were not overdue and categorised in Stage 1 for the measurement of expected credit losses. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default and the timing and amount of future cash flows. Given the Group has not experienced any significant credit losses in the past and holds sufficient collaterals for material receivable balances, the directors of the Company considered that the allowance for expected credit losses for these deposits and receivables are not significant.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. DEPOSITS WITH BROKERAGE COMPANIES

Deposits with brokerage companies are carried at an average interest rate of 0.012% per annum (2017: 0.001% per annum).

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2018 HK$'000	2017 HK$'000
Cash and bank balances		**5,821,862**	9,461,036
Time deposits		**350,053**	500,000
		6,171,915	9,961,036
Less: Pledged deposits	(a)	**(1,327,500)**	(5,072,750)
Restricted bank balances	(b)	**(142,907)**	(168,302)
Cash and cash equivalents		**4,701,508**	4,719,984

Notes:

(a) The bank balances were pledged to banks to secure bank borrowings granted to the Group (note 28(b)).

(b) The restricted bank balances as at 31 December 2018 and 2017 represented deposits placed with banks and the usage of which were restricted to the payments of certain obligations under loan facilities granted by certain banks.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$543,153,000 (2017: HK$199,017,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

26. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Receipts in advance	**75,412**	129,656
Other payables	**51,703**	59,315
Accruals	**85,576**	89,519
Due to a joint venture	**301,809**	455,137
	514,500	733,627

Other payables are non-interest-bearing and are normally settled within one year.

The amount due to a joint venture is unsecured, interest-free and repayable on demand.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2018	
	Assets HK$'000	**Liabilities HK$'000**
Forward currency contracts	**56,540**	**–**
Interest rate swaps	**72,394**	**–**
	128,934	**–**
Portion classified as non-current:		
Interest rate swaps	**(72,394)**	**–**
Current portion	**56,540**	**–**

	2017	
	Assets HK$'000	Liabilities HK$'000
Forward currency contract	–	86,915
Interest rate swaps	44,739	–
	44,739	86,915
Portion classified as non-current:		
Interest rate swaps	(44,739)	–
Current portion	–	86,915

Forward currency contracts - hedges of net investments

Forward currency contracts with a notional amount of GBP215,000,000 (2017: GBP215,000,000) are designated as a hedging instrument in respect of the hedges of net investments in certain subsidiaries in the United Kingdom. The forward currency contract balance varies with changes in foreign exchange forward rate. The forward currency contracts will mature in May 2019 (2017: May 2018). Further details of the hedges of net investments are set out in note 42 to the financial statements.

Interest rate swaps

At 31 December 2018, the Group had several interest rate swaps with a total notional amount of GBP498,000,000 (2017: GBP498,000,000) whereby the Group pays interest at fixed rate of approximately 0.72% (2017: 0.72%) and receives interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") on the notional amount. The interest rate swaps mature over the next 4 years (2017: 5 years) and are used to manage its interest rate exposures arising from bank loans at floating rates.

These interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of the non-hedging interest rate derivatives amounting to HK$35,767,000 (2017: HK$44,928,000) were credited to profit or loss during the year.

28. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Contractual interest rate	**Maturity**	**HK$'000**	Contractual interest rate	Maturity	HK$'000
Current						
Bank loans - secured	**LIBOR+0.45%, LIBOR+0.5% & HIBOR+1.5%**	**On demand**	**2,187,412**	LIBOR+0.45% & LIBOR+0.5%	On demand	5,287,788
Long term bank loans repayable on demand						
– secured	**HIBOR+1%**	**On demand**	**35,000**	HIBOR+1%	On demand	35,000
– unsecured	**N/A**	**N/A**	**–**	LIBOR+1.35%	On demand	1,841,790
Current portion of long term bank loans – secured	**LIBOR+1.35%**	**2019**	**66,046**	N/A	N/A	–
			2,288,458			7,164,578
Non-current						
Bank loans - secured	**LIBOR+1.35% & LIBOR+1.5%**	**2020 to 2022**	**7,728,486**	LIBOR+1.5%	2022	6,470,533
			10,016,944			13,635,111
Analysed into:						
Bank loans repayable:						
On demand (Note a)			**2,222,412**			7,164,578
Within one year			**66,046**			–
In the second year			**66,130**			–
In the third to fifth years, inclusive			**7,662,356**			6,470,533
			10,016,944			13,635,111

Notes:

(a) As further explained in note 42 to the financial statements, the Group's term loans with an aggregate amount of HK$2,222,412,000 (2017: HK$7,164,578,000) containing an on-demand clause have been classified as current liabilities and analysed into bank loans repayable on demand in the above analysis.

At the end of the reporting period, the maturity profile of interest-bearing bank borrowings based on the scheduled repayment dates set out in the loan agreements is as follows:

	2018 HK$'000	2017 HK$'000
Bank borrowings repayable:		
Within one year	**2,256,958**	5,360,723
In the second year	**74,880**	73,547
In the third to fifth years, inclusive	**7,685,106**	8,200,841
	10,016,944	13,635,111

(b) Certain of the Group's bank borrowings are secured by the Group's assets with aggregate carrying amounts as listed below:

	Notes	**2018 HK$'000**	2017 HK$'000
Property and equipment	14	**79,776**	82,027
Investment properties	15	**14,394,511**	12,089,375
Pledged deposits	25(a)	**1,327,500**	5,072,750

(c) As at 31 December 2018 and 2017, all bank borrowings bear interest at floating interest rates.

28. INTEREST-BEARING BANK BORROWINGS *(continued)*

Notes: *(continued)*

(d) The Group's bank borrowings are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**1,035,000**	35,000
GBP	**8,981,944**	13,600,111
	10,016,944	13,635,111

(e) The Group's bank borrowings of HK$8,794,532,000 (2017: HK$6,470,533,000) are secured by pledges over the equity interests of certain subsidiaries of the Group (note 1).

(f) As at 31 December 2018, the Group's bank borrowings denominated in GBP in an aggregate amount of HK$1,058,237,000 (2017: HK$6,992,915,000) are designated as hedges of the net investments in certain subsidiaries and a joint venture in the United Kingdom. Further details of the hedges of the net investments are set out in note 42 to the financial statements.

29. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of available for-sale investments HK$'000	Withholding tax on dividends HK$'000	Unrealised gains HK$'000	Provision for land appreciation tax HK$'000	Total HK$'000
At 1 January 2017	297	–	17,212	3,218	3,169	23,896
Deferred tax charged to other comprehensive income during the year	–	16,836	–	–	–	16,836
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	5	–	–	(3,218)	–	(3,213)
Disposal of a subsidiary (note 33)	–	–	(17,525)	–	(3,227)	(20,752)
Exchange realignment	–	–	313	–	58	371
At 31 December 2017	302	16,836	–	–	–	17,138
Effect of adoption of HKFRS 9	–	(16,836)	–	16,836	–	–
At 1 January 2018 (restated)	302	–	–	16,836	–	17,138
Deferred tax charged to the statement of profit or loss during the year (note 11)	–	–	–	3,329	–	3,329
Exchange realignment	–	–	–	(844)	–	(844)
At 31 December 2018	302	–	–	19,321	–	19,623

Deferred tax assets

	Impairment losses on financial assets HK$'000
At 1 January 2017 and 31 December 2017	–
Effect of adoption of HKFRS 9	948
At 1 January 2018 (restated)	948
Deferred tax credited to the statement of profit or loss during the year (note 11)	3,990
At 31 December 2018	4,938

29. DEFERRED TAX *(continued)*

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

As at 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to HK$220,149,000 as at 31 December 2018 (2017: HK$74,178,000).

The Group has tax losses arising in Hong Kong and the United Kingdom of HK$225,781,000 (2017: HK$212,487,000) and HK$94,358,000 (2017: Nil), subject to the agreement by the Hong Kong Inland Revenue Department and HM Revenue & Custom, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as it was not considered probable that taxable profits would be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2018 **HK$'000**	2017 HK$'000
Authorised: 5,000,000,000 (2017: 5,000,000,000) ordinary shares of HK$0.10 (2017: HK$0.10) each	**500,000**	500,000
Issued and fully paid: 3,882,334,668 (2017: 3,882,334,668) ordinary shares of HK$0.10 (2017: HK$0.10) each	**388,233**	388,233

A summary of the transactions in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital HK$'000**	**Share premium HK$'000**	**Total HK$'000**
At 1 January 2017	2,588,223,112	258,822	9,524,823	9,783,645
Issue of rights shares (Note)	1,294,111,556	129,411	2,458,812	2,588,223
Share issue expenses	–	–	(6,557)	(6,557)
At 31 December 2017, 1 January 2018 and 31 December 2018	3,882,334,668	388,233	11,977,078	12,365,311

Note:

On 28 April 2017, the Company completed the issue of one rights share for every two shares of the Company then held by qualifying shareholders at an issue price of HK$2.00 per rights share (the "Rights Issue") and a total of 1,294,111,556 rights shares were issued for a total cash consideration, before expenses, of HK$2,588,223,000.

As a result of the Rights Issue, the issued share capital of the Company increased from 2,588,223,112 shares to 3,882,334,668 shares of HK$0.10 each. Details of the Rights Issue were disclosed in the Company's announcement dated 14 March 2017 and prospectus dated 3 April 2017.

Share options

Details of the Company's share option schemes are set out in note 34 to the financial statements.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and the prior years are presented in the consolidated statement of changes in equity on page 40.

32. BUSINESS COMBINATIONS

For the year ended 31 December 2017

(a) On 27 January 2017, the Group entered into two sale and purchase agreements with certain independent third parties to acquire the entire 100% equity interest in KS Leasehold and the 100% issued units in Paddington Trust, which are engaged in property investment in the United Kingdom. The total consideration of GBP290,162,000 (equivalent to HK$2,833,566,000) (the "Cash Consideration") for the acquisitions was settled in the form of cash and the acquisitions were completed on 27 January 2017. The acquisitions were to acquire the commercial property at One Kingdom Street, London, United Kingdom, together with the leasing business associated with the property for rental earning and capital appreciation purposes.

The fair values of the identifiable assets and liabilities of KS Leasehold and Paddington Trust as at the date of acquisition were as follows:

	KS Leasehold HK$'000	Paddington Trust HK$'000	Total HK$'000
Investment property	1,397,443	1,454,083	2,851,526
Prepayments, deposits and other receivables	12,838	2,378	15,216
Cash and cash equivalents	860	–	860
Other payables and accruals	(20,669)	(11,637)	(32,306)
Tax payable	(1,698)	–	(1,698)
Total identifiable net assets at fair value	1,388,774	1,444,824	2,833,598
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	1,226	(1,258)	(32)
Satisfied by cash	1,390,000	1,443,566	2,833,566

The Group incurred transaction costs of HK$21,964,000 for this acquisition. These transaction costs have been expensed off and are included in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisitions of KS Leasehold and Paddington Trust are as follows:

	KS Leasehold HK$'000	Paddington Trust HK$'000	Total HK$'000
Cash consideration	1,390,000	1,443,566	2,833,566
Cash and cash equivalents acquired	(860)	–	(860)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,389,140	1,443,566	2,832,706
Transaction costs of the acquisition included in cash flows from operating activities	10,982	10,982	21,964
	1,400,122	1,454,548	2,854,670

Since the acquisitions, KS Leasehold and the Paddington Trust contributed HK$137,729,000 to the Group's revenue and HK$170,913,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been HK$478,359,000 and HK$293,458,000, respectively.

32. BUSINESS COMBINATIONS *(continued)*

For the year ended 31 December 2017 *(continued)*

(b) On 1 March 2017, the Group entered into an acquisition agreement with two independent parties to acquire the 100% equity interests in Leadenhall Holding and its subsidiary, Leadenhall Property (collectively the "Leadenhall Group"), together with the related shareholders' loans, for an aggregate consideration of GBP1,137,769,000 (equivalent to HK$11,369,693,000). Leadenhall Holding is an investment holding company and Leadenhall Property is principally engaged in property investment in the United Kingdom. The consideration was settled in the form of cash and the acquisition was completed on 25 May 2017. The acquisition was to acquire the commercial property at 122 Leadenhall Street, London, the United Kingdom, together with the leasing business associated with the property for rental earning and capital appreciation purposes.

The fair values of the identifiable assets and liabilities of the Leadenhall Group as at the date of acquisition were as follows:

	HK$'000
Investment property	11,491,950
Trade receivables	1,025
Cash and cash equivalents	12,859
Other payables and accruals	(30,388)
Tax payable	(4,213)
Total identifiable net assets at fair value	11,471,233
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(101,540)
Satisfied by cash	11,369,693

The Group incurred transaction costs of HK$67,583,000 for this acquisition. These transaction costs have been expensed off and are included in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of the Leadenhall Group is as follows:

	HK$'000
Cash consideration	11,369,693
Cash and cash equivalents acquired	(12,859)
Net outflow of cash and cash equivalents included in cash flows from investing activities	11,356,834
Transaction costs of the acquisition included in cash flows from operating activities	67,583
	11,424,417

Since the acquisition, the Leadenhall Group contributed HK$205,162,000 to the Group's revenue and HK$137,440,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 December 2017 would have been HK$593,357,000 and HK$373,588,000, respectively.

33. DISPOSAL OF A SUBSIDIARY

Year ended 31 December 2017

On 21 February 2017, the Group entered into a sale and purchase agreement to dispose of its entire 100% equity interest in Good Wave International Limited ("Good Wave", together with its subsidiaries, the "Good Wave Group"), a wholly-owned subsidiary of the Group as at 31 December 2016, to an independent third party for a total consideration of RMB186,000,000 (equivalent to HK$208,500,000). The disposal of the Good Wave Group was completed on 10 March 2017.

Details of the net assets of the Good Wave Group disposed of and their financial impacts are summarised below:

	Notes	**HK$'000**
Net assets disposed of:		
Property and equipment	14	1,436
Property under development	20.1	258,290
Completed properties held for sale	20.2	297,177
Prepayments, deposits and other receivables		15,577
Tax recoverable		22,635
Restricted bank balances		54,854
Cash and cash equivalents		66,525
Trade payables		(113,102)
Other payables and accruals		(231,022)
Other borrowing		(112,208)
Tax payable		(28,782)
Deferred tax liabilities	29	(20,752)
		210,628
Exchange fluctuation reserve released upon disposal		1,748
Loss on disposal of a subsidiary	6	(3,876)
Satisfied by cash		208,500

An analysis of the net inflow of cash and cash equivalents for the year in respect of the disposal of the Good Wave Group is as follows:

	HK$'000
Cash consideration	208,500
Cash and cash equivalents disposed of	(66,525)
Net inflow of cash and cash equivalents in respect of disposal of the Good Wave Group	141,975

34. SHARE OPTION SCHEMES

(A) 2005 Scheme

The Company adopted a share option scheme on 29 April 2005 ("2005 Scheme") which expired on 29 April 2015. Summary of the 2005 Scheme is set out below:

For the purpose of section (A) 2005 Scheme, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or joint venture of the Company or any substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or joint venture of any of the foregoing entities referred to in (iv) above; and reference to "Employee" means any full-time or part-time employee (including any executive and non-executive director, proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purposes of the 2005 Scheme are to recognise the contribution of and to motivate Employees and other person(s) who may make a contribution to the Group, to provide incentives and to help the Group retain its existing Employees and recruit additional Employees and to provide them with a direct economic interest in attaining the long-time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who, in the sole opinion of the Board, has contributed or is expected to contribute to the Group.

Total number of shares available for issue and the percentage of the issued shares that it represents as at the date of this report

As at the date of this report, there was no share available for issue under the 2005 Scheme as the scheme expired on 29 April 2015.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2005 Scheme at any time during a period to be notified by the Board to each grantee. Such period of time shall not exceed 10 years from the date of grant of the option.

Minimum period for which an option must be held before exercise

Such period as may be determined by the Board pursuant to the terms of the 2005 Scheme.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of shares as stated in the daily quotation sheet of the Stock Exchange on the date on which the option is offered, which must be a trading day;

(ii) the average closing price of shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

Life of the 2005 Scheme

The 2005 Scheme shall remain in force for a period of 10 years from 29 April 2005 to 28 April 2015.

34. SHARE OPTION SCHEMES *(continued)*

(B) 2015 Scheme

On 21 May 2015, the Company adopted a share scheme ("2015 Scheme"). Summary of the 2015 Scheme is set out below:

For the purpose of section (B) 2015 Scheme, reference to the "Eligible Group" means (i) the Company and each of its substantial shareholders; and (ii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the Company or of a substantial shareholder referred to in (i) above; and (iii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iv) above.

Purpose

To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants and to serve such other purposes as the Board may approve from time to time.

Participants

Any director (or any persons proposed to be appointed as such, whether executive or non-executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group; any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer or employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the Board.

Total number of shares available for issue and the percentage of the issued shares that it represents as at the date of this report

258,822,311 shares, representing 6.67% of the issued shares as at 22 March 2019.

Maximum entitlement of each participants

Subject to the terms of the 2015 Scheme, not exceeding 1% of the total number of issued shares in any 12-month period.

Period within which the shares must be taken up under an option

Such period as determined by the Board pursuant to the 2015 Scheme, which shall expire not later than 10 years from the date of grant of the option.

Minimum period for which an option must be held before exercise

Such period as may be determined by the Board pursuant to the terms of the 2015 Scheme.

The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

HK$1.00, if demanded by the Company, within 7 days of the date of the demand.

Basis of determining the exercise price

Subject to the terms of the 2015 Scheme, the exercise price shall be a price solely determined by the Board and shall not less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a Share on the date of grant of the option.

Life of the 2015 Scheme

Subject to the terms of the 2015 Scheme, 10 years commencing on 21 May 2015.

34. SHARE OPTION SCHEMES *(continued)*

No share options were granted under the 2015 Scheme since its adoption and up to 31 December 2018. The movement of share options under the 2005 Scheme during the year is as follows:

	2018		2017	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**3.25**	**64,162**	3.30	63,239
Adjusted upon completion of rights issue	**–**	**–**	–	923
At 31 December	**3.25**	**64,162**	3.25	64,162

There were no share options exercised under the 2005 Scheme during the years ended 31 December 2018 and 2017.

The exercise prices and exercise periods of the share options outstanding under the 2005 Scheme as at the end of the reporting period are as follows:

2018

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
17,756	3.2229	07-05-2009 to 06-05-2019
41,536	3.2624	03-09-2010 to 02-09-2020
4,870	3.2624	01-01-2011 to 02-09-2020
64,162		

2017

Number of options '000	Exercise price* HK$ per share	Exercise period
17,756	3.2229	07-05-2009 to 06-05-2019
41,536	3.2624	03-09-2010 to 02-09-2020
4,870	3.2624	01-01-2011 to 02-09-2020
64,162		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No share option expense was recognised by the Group during the year (2017: Nil).

At the end of the reporting period, the Company had 64,162,000 (2017: 64,162,000) share options outstanding under the 2005 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 64,162,000 (2017: 64,162,000) additional ordinary shares of the Company and additional share capital of HK$6,416,000 (2017: HK$6,416,000) and share premium of HK$202,205,000 (2017: HK$202,205,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 64,162,000 share options outstanding under the 2005 Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings HK$'000
At 1 January 2017	112,208
Changes from financing cash flows	12,824,203
Decrease arising from disposal of a subsidiary	(112,208)
Amortisation of loan procurement fee	8,094
Foreign exchange movement	802,814
At 31 December 2017 and 1 January 2018	13,635,111
Changes from financing cash flows	(3,022,280)
Amortisation of loan procurement fee	17,905
Foreign exchange movement	(613,792)
At 31 December 2018	10,016,944

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years.

The terms of the leases generally (i) require tenants to pay rent in advance on a quarterly basis, (ii) provide for rent review, (iii) grant certain lessees a tenant exercisable break clause; and (iv) require certain tenants to pay security deposits. As at 31 December 2018, security deposits received from tenants and held by the Group's property manager on trust for both the Group and the Group's tenants amounted to HK$57,463,000 (2017: HK$60,015,000).

At 31 December 2018, the Group had total future minimum lease receivables, calculated on the assumption that no tenant exercisable break clause will be exercised, under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**533,437**	557,900
In the second to fifth years, inclusive	**2,056,902**	2,217,195
After five years	**2,740,502**	3,328,135
	5,330,841	6,103,230

(b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. The leases for the office properties and staff quarters are negotiated for terms of one to four years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**20,372**	5,914
In the second to fifth years, inclusive	**42,418**	3,327
	62,790	9,241

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for:		
Property and equipment	**7,458**	–
Investment in an unlisted fund investment	**282,090**	296,965
Capital contributions payable to a joint venture	**1,230,638**	1,301,976
	1,520,186	1,598,941

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for	**3,551,455**	–

38. CONTINGENT LIABILITIES

(a) As at 31 December 2018, the Group had given a guarantee to the vendor in connection with the acquisition of a freehold land held by a joint venture amounted to HK$248,413,000 (2017: HK$262,813,000).

(b) As at 31 December 2018, the Group has given a guarantee to a bank in connection with a facility granted to a joint venture up to HK$1,088,047,000 (2017: Nil), and the related banking facility was utilised to the extent of HK$1,088,047,000 (2017:Nil).

(c) As at 31 December 2018, the Group has given guarantees to a bank and an independent third party in connection with facilities granted to associates up to HK$1,500,000,000 (2017: Nil), and the related facilities were utilised to the extent of HK$1,500,000,000 (2017:Nil).

39. RELATED PARTY TRANSACTIONS

(a) Details of the Group's balances with associates and a balance with a joint venture as at the end of the reporting period are set out in notes 17 and 26 to the financial statements, respectively.

(b) As at 31 December 2018, the Group has given guarantees to (i) a vendor in connection with the acquisition of a freehold land held by a joint venture; (ii) banks in connection with banking facilities granted to a joint venture and an associate; and (iii) a third party in connection with a loan facility granted to an associate. Further details of these guarantees are given in note 38 to the financial statements. The Group did not recognise any liabilities in respect of such financial guarantees as the directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and at the end of the reporting period are insignificant.

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

	2018 HK$'000	2017 HK$'000
Short term employee benefits paid to key management personnel	**78,868**	68,819

Further details of directors' emoluments are included in note 9 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

Except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, available-for-sale investments, equity investments at fair value through profit or loss and derivative financial instruments, which are measured at fair value, the financial assets and liabilities of the Group as at 31 December 2018 and 2017 are financial assets at amortised cost and financial liabilities at amortised cost.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted bank balances, time deposits with original maturity over three months, deposits with brokerage companies, trade receivables, financial assets included in prepayments, deposits and other receivables, loans and interest receivables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the directors is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The financial controller reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair value of the non-current portion of interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2018 was assessed to be insignificant. Management has assessed that the fair value of the non-current portion of interest-bearing bank borrowings approximate to its carrying amount.

The fair values of listed equity investments and debt investments are based on quoted market prices. For the rest of the financial assets at fair value through profit or loss, which were previously classified as available-for-sale investments measured at fair value, their fair values are derived from the net asset value per share of the investments or latest transaction prices. The directors believe that the estimated fair values which are recorded in the consolidated statement of financial position with net changes in fair value recognised in the statement of profit or loss in the year ended 31 December 2018, which were previously recorded in other comprehensive income under the classification as available-for-sale investments in the year ended 31 December 2017, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with credit ratings ranging from A+ to AA-. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

As at 31 December 2018, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Assets measured at fair value:				
As at 31 December 2018				
Financial assets at fair value through other comprehensive income:				
Listed equity investments	**931,585**	**–**	**–**	**931,585**
Debt investments	**–**	**436,377**	**–**	**436,377**
Financial assets at fair value through profit or loss:				
Listed equity investments	**191,995**	**–**	**–**	**191,995**
Unlisted fund investments	**–**	**1,445,963**	**–**	**1,445,963**
Derivative financial instruments	**56,540**	**72,394**	**–**	**128,934**
	1,180,120	**1,954,734**	**–**	**3,134,854**
As at 31 December 2017				
Available-for-sale investments:				
Listed equity investments	756,370	–	–	756,370
Unlisted fund investments	–	1,565,084	164,157	1,729,241
Debt investment	–	201,788	–	201,788
Equity investments at fair value through profit or loss	310,874	–	–	310,874
Derivative financial instruments	–	44,739	–	44,739
	1,067,244	1,811,611	164,157	3,043,012

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Liabilities measured at fair value:				
As at 31 December 2017				
Derivative financial instruments	86,915	–	–	86,915

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

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through profit or loss (2017: available-for-sale investments) - unlisted fund investment:		
At 1 January	**164,157**	–
Acquisitions	**–**	160,799
Transfer from Level 3 to Level 2*	**(164,157)**	–
Exchange realignment	**–**	3,358
At 31 December	**–**	164,157

* The transfer from Level 3 to Level 2 is due to the availability of transaction price of the relevant investments in the market.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, equity investments at fair value through profit or loss, available-for-sale investments, derivative financial instruments, loans and interest receivables, trade receivables, deposits and other receivables, other payables, interest-bearing bank borrowings, deposits with brokerage companies, pledged deposits, restricted bank balances and cash and cash equivalents. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's pledged deposits, restricted bank balances, cash and cash equivalents and bank borrowings with floating interest rates. The Group monitors the movement in interest rates on an ongoing basis and evaluates the exposure and the costs of available hedging for its debt obligations.

To manage its interest cost, the Group entered into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2018, after taking into the effect of the interest rate swaps, approximately 49% (2017: 38%) of the Group's interest-bearing bank borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on pledged deposits, restricted bank balances, cash and cash equivalents and bank borrowings with floating rates held by the Group at the end of the reporting period after taking into the effect of the interest rate swaps). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2018		
HK$	**100**	**29,335**
US$	**100**	**11,710**
RMB	**150**	**8,147**
GBP	**100**	**(35,443)**
HK$	**(100)**	**(29,335)**
US$	**(100)**	**(11,710)**
RMB	**(150)**	**(8,147)**
GBP	**(100)**	**35,443**
2017		
HK$	100	74,167
US$	100	13,963
RMB	150	2,985
GBP	100	(74,509)
HK$	(100)	(74,167)
US$	(100)	(13,963)
RMB	(150)	(2,985)
GBP	(100)	74,509

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

The Group is exposed to currency risks primarily through business activities which give rise to receivables, payables and cash and bank balances that are denominated in currency other than the functional currency of the operations to which the transactions relate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currency of the operations, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rates	Increase/ (decrease) in profit before tax HK$'000
2018		
If HK$ weakens against RMB	**5%**	**47,114**
If HK$ strengthens against RMB	**(5%)**	**(47,114)**
If HK$ weakens against GBP	**10%**	**16,997**
If HK$ strengthens against GBP	**(10%)**	**(16,997)**
2017		
If HK$ weakens against RMB	5%	55,187
If HK$ strengthens against RMB	(5%)	(55,187)
If HK$ weakens against GBP	10%	67,910
If HK$ strengthens against GBP	(10%)	(67,910)

Results of the analysis as presented in the above table represent the effects on profit before tax of each of the Group's entities measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those monetary assets and liabilities held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency and the bank borrowings that are designated as hedges of the Group's net investments in its subsidiaries and a joint venture in the United Kingdom (see discussion below).

Hedges of net investments

A foreign currency exposure arises from net investments in subsidiaries, joint ventures and associates that have a different functional currency from that of the Company. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries, joint ventures and associates and the Company's functional currency, which causes the amount of the net investments to vary. This risk may have a significant impact on the Group's consolidated financial statements.

The Group hedged its exposure to GBP foreign exchange risk on the net investments in the relevant subsidiaries and joint venture.

The Group uses a mixture of forward currency contracts and foreign currency-denominated bank borrowings as hedging instruments. There is an economic relationship between the hedged items and the hedging instruments as the currency of the forward currency contracts and bank borrowings match the functional currency of the relevant subsidiaries and joint venture. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the forward currency contracts and foreign currency-denominated bank borrowings are identical to the hedged risk components.

When the hedging instrument is foreign currency-denominated bank borrowings, the Group assesses effectiveness by comparing past changes in the carrying amount of the bank borrowings that are attributable to a change in the spot rate with past changes in the investment in the foreign operation due to movement in the spot rate (the offset method).

When the hedging instrument is forward currency contracts, the Group assesses effectiveness by comparing past changes in the fair value of the derivative with past changes in the investment in the foreign operation due to movement in the spot rate.

Hedge ineffectiveness can arise from the decline in carrying value of the net investment in the relevant subsidiaries and joint venture below the notional amount of forward currency contracts and foreign currency-denominated bank borrowings.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

Hedges of net investments *(continued)*

The aggregate carrying amount of the Group's net investments in subsidiaries and a joint venture as at 31 December 2018 in the United Kingdom was HK$8,382,237,000 (2017: HK$11,706,664,000). The extent of the Group's net investments in subsidiaries and a joint venture as at 31 December 2018 in the United Kingdom hedged by hedging instruments was HK$3,194,585,000 (2017: HK$7,411,322,000). Foreign exchange losses of the net investments in subsidiaries and a joint venture used as the basis for recognising hedge ineffectiveness for the year was HK$269,931,000 (2017: foreign exchange gains of HK$578,515,000) and was recognised in the Group's other comprehensive income for the year and accumulated in the exchange fluctuation reserve in equity. As at 31 December 2018, foreign exchange gains of HK$308,584,000 (2017: HK$578,515,000) on translation of the net investments in subsidiaries and a joint venture was accumulated in the exchange fluctuation reserve in equity.

The carrying amount of the GBP denominated bank borrowings and the fair value gain of the forward currency contracts as at 31 December 2018 that are designated as hedges of the Group's net investments in subsidiaries and a joint venture in the United Kingdom was HK$1,058,237,000 (2017: HK$6,992,915,000) and HK$56,540,000 (2017: fair value loss of HK$86,915,000), respectively. A total foreign exchange gain of HK$144,787,000 (2017: foreign exchange loss of HK$491,600,000) on translation of the bank borrowings to HK$ at the end of the reporting period and a fair value gain of HK$125,144,000 (2017: fair value loss of HK$86,915,000) on forward currency contracts were recognised in the Group's other comprehensive income for the year and accumulated in the exchange fluctuation reserve in equity. A fair value gain of HK$18,311,000 relating to the ineffectiveness from hedges of net investments was recognised in the statement of profit or loss for the year (2017: Nil). As at 31 December 2018, foreign exchange losses of HK$346,813,000 (2017: foreign exchange losses of HK$491,600,000) on translation of the bank borrowings to HK$ at the end of the reporting period and fair value gains of HK$38,229,000 (2017: fair value losses of HK$86,915,000) on forward currency contract were accumulated in the exchange fluctuation reserve in equity.

Credit risk

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

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Debt investments at fair value through other comprehensive income – Credit rating of B	436,377	–	–	–	436,377
Trade receivables	–	–	–	5,679	5,679
Loans and interest receivables	570,677	–	–	–	570,677
Financial assets included in prepayments, deposits and other receivables - Normal*	89,761	–	–	–	89,761
Deposits with brokerage companies	11,238	–	–	–	11,238
Pledged deposits	1,327,500	–	–	–	1,327,500
Restricted bank balances	142,907	–	–	–	142,907
Cash and cash equivalents	4,701,508	–	–	–	4,701,508
	7,279,968	–	–	5,679	7,285,647

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments included in financial assets at fair value through profit or loss (2017: equity investments at fair value through profit and loss) (note 19) and financial assets at fair value through other comprehensive income (2017: available-for-sale investments) (note 18) as at 31 December 2018 and 31 December 2017. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity index for the Stock Exchange at the close of business of the nearest trading day in the year to the end of the reporting period, and its respective highest and lowest points during the year are as follows:

	31 December 2018	**High/low 2018**	31 December 2017	High/low 2017
Hong Kong - Hang Seng Index	**25,846**	**33,484/ 24,541**	29,919	30,200/ 21,884

The following table demonstrates the sensitivity to every 10% decrease (2017: 10% decrease) in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the listed equity investments included in financial assets at fair value through other comprehensive income and the available-for-sale equity investments, the impact is deemed to be on the fair value reserve (non-recycling) and the available-for-sale investment revaluation reserve, respectively.

	Carrying amount of equity investments HK$'000	**Decrease in profit before tax HK$'000**	**Decrease in other components of equity HK$'000**
2018			
Equity investments listed in Hong Kong:			
– Financial assets at fair value through profit or loss	**191,995**	**(19,200)**	**–**
– Financial assets at fair value through other comprehensive income	**931,585**	**–**	**(93,159)**
Total	**1,123,580**	**(19,200)**	**(93,159)**
2017			
Equity investments listed in Hong Kong:			
– Equity investments at fair value through profit or loss	310,874	(31,087)	–
– Available-for-sale investments	756,370	–	(75,637)
Total	1,067,244	(31,087)	(75,637)

The Group's management manages the above exposure by maintaining a well-diversified investment portfolio.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and available funding through an adequate amount of committed credit facilities to meet its projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay, was as follows:

			2018		
	On demand HK$'000	**Within 1 year HK$'000**	**1 to 2 years HK$'000**	**3 to 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings (Note)	**2,222,412**	**245,094**	**244,194**	**7,958,533**	**10,670,233**
Financial liabilities included in other payables and accruals	**301,809**	**51,703**	**–**	**–**	**353,512**
	2,524,221	**296,797**	**244,194**	**7,958,533**	**11,023,745**
Financial guarantees issued: Maximum amount guaranteed	**2,836,460**	**–**	**–**	**–**	**2,836,460**

			2017		
	On demand HK$'000	Within 1 year HK$'000	1 to 2 years HK$'000	3 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings (Note)	7,164,578	96,889	122,793	6,790,132	14,174,392
Financial liabilities included in other payables and accruals	455,137	59,315	–	–	514,452
Forward currency contract	–	86,915	–	–	86,915
	7,619,715	243,119	122,793	6,790,132	14,775,759
Financial guarantees issued: Maximum amount guaranteed	262,813	–	–	–	262,813

Note:

Included in interest-bearing bank borrowings of the Group are term loans with an aggregate principal amount of HK$2,222,412,000 as at 31 December 2018 (2017: HK$7,164,578,000) of which the respective loan agreements contain a repayment on-demand clause giving the banks the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these bank loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the consolidated financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the bank loans, the contractual undiscounted payments (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) are as follows:

	Within 1 year HK$'000	**1 to 2 years HK$'000**	**3 to 5 years HK$'000**	**Total HK$'000**
31 December 2018	**2,193,173**	**9,684**	**23,502**	**2,226,359**
31 December 2017	5,412,502	106,058	1,810,275	7,328,835

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using net gearing ratio, which is net debts divided by equity attributable to owners of the parent. Net debts include interest-bearing bank borrowings less cash and bank balances and time deposits. The net gearing ratios as at the end of the reporting periods were as follows:

	2018 **HK$'000**	2017 HK$'000
Interest-bearing bank borrowings (note 28)	**10,016,944**	13,635,111
Less: Cash and bank balances and time deposits (note 25)	**(6,171,915)**	(9,961,036)
Net debts	**3,845,029**	3,674,075
Equity attributable to owners of the parent	**17,123,490**	16,845,749
Net gearing ratio	**22.5%**	21.8%

43. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the year, certain comparative amounts have been reclassified/re-presented to conform to the current year's presentation and disclosures.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Property and equipment	**44**	58
Golf club membership	**10,540**	10,540
Investments in subsidiaries	**1,000,390**	1,000,390
Total non-current assets	**1,010,974**	1,010,988
CURRENT ASSETS		
Prepayments, deposits and other receivables	**821**	422
Due from subsidiaries	**11,730,852**	11,837,563
Deposits with a brokerage company	**50**	–
Cash and cash equivalents	**125**	129
Total current assets	**11,731,848**	11,838,114
CURRENT LIABILITIES		
Other payables and accruals	**40,346**	42,952
Total current liabilities	**40,346**	42,952
NET CURRENT ASSETS	**11,691,502**	11,795,162
Net assets	**12,702,476**	12,806,150
EQUITY		
Issued capital	**388,233**	388,233
Reserves (Note)	**12,314,243**	12,417,917
Total equity	**12,702,476**	12,806,150

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

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

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	9,524,823	165,272	308,853	9,998,948
Rights Issue	2,458,812	–	–	2,458,812
Share issue expenses	(6,557)	–	–	(6,557)
Total comprehensive loss for the year	–	–	(33,286)	(33,286)
At 31 December 2017 and 1 January 2018	**11,977,078**	**165,272**	**275,567**	**12,417,917**
Total comprehensive loss for the year	**–**	**–**	**(26,027)**	**(26,027)**
Final 2017 dividend approved	**–**	**–**	**(77,647)**	**(77,647)**
At 31 December 2018	**11,977,078**	**165,272**	**171,893**	**12,314,243**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after the vesting period.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 March 2019.

Five-Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**651,104**	464,561	1,129,416	6,620,237	10,299,888
PROFIT/(LOSS) BEFORE TAX	**190,570**	303,493	(289,889)	3,323,920	2,479,035
Income tax expense	**(19,471)**	(11,617)	(66,867)	(1,682,307)	(1,388,923)
PROFIT/(LOSS) FOR THE YEAR	**171,099**	291,876	(356,756)	1,641,613	1,090,112
Attributable to:					
Owners of the parent	**171,099**	291,876	(356,756)	1,366,665	1,068,280
Non-controlling interests	**–**	–	–	274,948	21,832
	171,099	291,876	(356,756)	1,641,613	1,090,112

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**105,681**	99,815	103,837	21,977	184,099
Investment properties	**14,394,511**	15,228,933	–	–	421,666
Prepaid land lease payments	**–**	–	–	–	121,068
Golf club membership	**10,540**	10,540	10,540	10,540	10,540
Investments in joint ventures	**2,736,999**	3,358,046	319,907	125,992	439,947
Investments in associates	**914,929**	227,116	142,666	283,550	1,503,311
Financial assets at fair value through other comprehensive income	**1,291,140**	–	–	–	–
Financial assets at fair value through profit or loss	**1,445,963**	–	–	–	–
Available-for-sale investments	**–**	2,687,399	2,963,697	3,489,172	690,448
Prepayments, deposits and other receivables	**280,808**	–	–	–	–
Derivative financial instruments	**72,394**	44,739	–	–	–
Properties under development	**–**	–	–	671,340	7,324,735
Interests in land use rights for property development	**–**	–	–	–	961,336
Consideration receivable on disposal of subsidiaries	**–**	–	–	1,140,382	290,922
Deferred tax assets	**4,938**	–	–	12,440	147,076
Non-current assets	**21,257,903**	21,656,588	3,540,647	5,755,393	12,095,148
Current assets	**7,180,954**	10,514,449	11,095,824	11,330,611	37,626,378
Current liabilities	**(3,567,258)**	(8,837,617)	(1,343,787)	(2,583,855)	(24,111,061)
Net current assets	**3,613,696**	1,676,832	9,752,037	8,746,756	13,515,317
Non-current liabilities	**(7,748,109)**	(6,487,671)	(23,896)	(370,947)	(9,066,340)
Non-controlling interests	**–**	–	–	–	(1,747,058)
Equity attributable to owners of the parent	**17,123,490**	16,845,749	13,268,788	14,131,202	14,797,067

PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT

Property Location	Usage	Attributable Area (sqf)	Tenure	The Group's Interest
One Kingdom Street, London W2 6BD, United Kingdom	Office and Car parking spaces	265,000	Freehold Interest	100%
122 Leadenhall Street, London EC3V 4PE, United Kingdom	Office, Retail and Car parking spaces	610,000	Freehold Interest	100%

Definitions

"AGM"	the annual general meeting of the Company to be held on 20 May 2019
"AUD"	Australian dollars, the lawful currency of Australia
"Australia"	the Commonwealth of Australia
"Board"	the board of Directors
"Bye-laws"	the bye-laws of the Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Act"	Companies Act 1981 of Bermuda as amended from time to time
"Company"	C C Land Holdings Limited
"Director(s)"	the director(s) of the Company
"ESR"	Environmental and Social Responsibilities
"GBP"	British Pound Sterling, the lawful currency of the United Kingdom of Great Britain and Northern Ireland
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"kWh"	Kilowatt hour
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules
"PRC" or "China" or "Mainland China"	The People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company
"sqf"	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UK"	United Kingdom, the United Kingdom of Great Britain and Northern Ireland
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent