TAI SANG LAND DEVELOPMENT LIMITED

大生地產發展有限公司

（Stock code: 89）

ANNUAL REPORT 2018

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BOARD OF DIRECTORS AND CORPORATE INFORMATION

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Mr. William MA Ching Wai, Chairman and Chief Executive

Aged 65. Joined the Company and appointed a Director of the Company in 1974. Appointed Chairman of the Board of Directors in 1984 and appointed Chief Executive on 15th June 2017. He is the Chairman of the Nomination Committee of the Company and a director of certain subsidiaries of the Company. He is currently the chairman of the board of directors of Tai Sang Bank Limited. He is also a member of the Association of Chairmen of the Tung Wah Group of Hospitals, life member of Yan Oi Tong Advisory Board, a member of Hong Kong Chiu Chow Chamber of Commerce and a committee member of Hong Kong Juvenile Care Centre. He was a member of Sponsorship and Development Fund Committee of the Open University of Hong Kong until 19th June 2017 and the chairman of the 1978/1979 Board of Directors of Tung Wah Group of Hospitals. He was conferred the honour of Chevalier de l'Ordre du Mérite Agricole in 2008. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He is the younger brother of Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung, and the elder brother of Mr. Patrick Ma Ching Hang and Mr. Philip Ma Ching Yeung.

Mr. Patrick MA Ching Hang, BBS, JP, BSc., Deputy Chairman

Aged 60. Joined the Company and appointed a Director of the Company in 1981. Appointed Deputy Chairman of the Board of Directors in 2005. He is a director of certain subsidiaries of the Company. He is currently a director and the general manager of Tai Sang Bank Limited. He is also a director of Hong Kong Chiu Chow Chamber of Commerce and Federation of Hong Kong Chiu Chow Community Organizations Limited. He is a member of The Chinese University of Hong Kong – C.W. Chu College Committee of Overseers, a member of Honorary Court of Lingnan University and a Trustee of Hospital Authority Charitable Foundation (HACF). He was the chairman of the 2008/2009 Board of Directors of Tung Wah Group of Hospitals. He was conferred the honour of Chevalier de l'Ordre National du Mérite in 2010. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He is the younger brother of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung, and the elder brother of Mr. Philip Ma Ching Yeung.

Mr. Alfred MA Ching Kuen, BSc., Managing Director

Aged 66. Joined the Company and appointed a Director of the Company in 1976. Appointed Managing Director of the Company in 1984. He is a director of certain subsidiaries of the Company. He is currently a director of Tai Sang Bank Limited. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He is the elder brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang and Mr. Philip Ma Ching Yeung, and the younger brother of Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung.

Ms. Amy MA Ching Sau, BSc., Managing Director

Aged 68. Joined the Company and appointed a Director of the Company in 1974. Appointed Managing Director of the Company in 1991. She is a member of the Remuneration Committee of the Company and a director of certain subsidiaries of the Company. She is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. She is the elder sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung, and the younger sister of Ms. Katy Ma Ching Man.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Board of Directors (Continued)

Mr. Philip MA Ching Yeung, BSc.(cum Laude), D.Mgt., Director

Aged 55. Joined the Company in 1987 and appointed a Director of the Company in 1997. He is a director of certain subsidiaries of the Company. He received a doctoral degree in management from the Asian College of Knowledge Management in 2010. He is currently a director of Tai Sang Bank Limited. He is the Vice Chairman of the 2017/2018 and 2018/2019 Board of Directors of Tung Wah Group of Hospitals, a Director of Hong Kong Chiu Chow Chamber of Commerce, a permanent honorable president of Wanchai and Central and Western District Industries and Commerce Association, a member of World Fellow of The Duke of Edinburgh's Award, a member of The Entrepreneurs' Organization Hong Kong, a member of the HKGCC's Real Estate and Infrastructure Committee, an ordinary member of The University of Hong Kong Foundation and a member of The Maritime Silk Road Society. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He is the younger brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man and Ms. Ruth Ma Ching Keung.

Mr. Edward CHEUNG Wing Yui, BBS, DBA, BComm., CPA (Aust.),
Solicitor of the Supreme Court of England,
Solicitor of the Supreme Court of Hong Kong,
Advocate and Solicitor of the Supreme Court of Singapore,
Non-executive Director

Aged 69. Appointed a Director of the Company in 1983, re-designated as Non-executive Director since 21st May 2004. He is a member of the Audit Committee of the Company. He received a Bachelor of Commerce Degree in Accountancy from the University of New South Wales, Australia. He is a member of CPA Australia. He has been a practising solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo Kwan Lee & Lo. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr Cheung is currently a non-executive director and vice chairman of SmarTone Telecommunications Holdings Limited and SUNeVision Holdings Ltd. He is also a non-executive director of Tianjin Development Holdings Limited, a non-executive director of Transport International Holdings Limited, The Kowloon Motor Bus Company (1933) Limited and Long Win Bus Company Limited. In addition, he is currently a director of The Community Chest of Hong Kong, a court member of The Open University of Hong Kong and Honorary Council Member of The Hong Kong Institute of Directors Limited. Mr. Cheung was the deputy chairman of The Open University of Hong Kong until 19th June 2014, an independent non-executive director of Agile Group Holdings Limited until 13th February 2018 and Hop Hing Group Holdings Limited until 25th August 2017, a non-executive director of Tai Sang Bank Limited until 1st December 2017, a member of the Labour and Welfare Bureau's Lump Sum Grant Steering Committee until 21st April 2015, a member of the Appeal Board established under the Accreditation of Academic and Vocational Qualifications Ordinance until 31st August 2013. He was a member of the Board of Review (Inland Revenue Ordinance) until 31st December 2010, the deputy chairman of The Hong Kong Institute of Directors Limited until 30th June 2010, a director of Po Leung Kuk and the vice chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong. Mr. Cheung was awarded the Bronze Bauhinia Star (BBS) in 2013. He was awarded an honorary degree of Doctor of Business Administration from the Open University of Hong Kong in 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Board of Directors (Continued)

Mr. Kevin CHAU Kwok Fun, BA, Independent Non-executive Director

Aged 58. Appointed an Independent Non-executive Director of the Company in 1996. He is a member of the Audit Committee and Nomination Committee of the Company. He graduated with a Bachelor of Arts degree in Economics from the Wesleyan University in Connecticut, USA. He is the owner and Principal of KRC Projects Limited, a private investment company, and a partner and director of Custom Gateway International Limited, a technology software company specializing in providing customization solutions to businesses with ecommerce platforms. He is also an independent non-executive director of Razer Inc. (Stock Code 1337) a company listed on the Stock Exchange. He was the Executive Vice Chairman of Sincere Watch (Hong Kong) Limited ("Sincere Watch") (Stock Code 444) responsible for the overall development of Sincere Watch Group's business, as well as the strategic planning and positioning and management of Sincere Watch Group. Prior to joining Sincere Watch Group, he was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC. He began his career in 1982 with a US bank in New York dealing in fixed income and derivative syndication and had been posted by the bank to their London and Tokyo offices. In 1990, he set up his own real estate investment company in California, USA, investing in real estate projects in Texas and California. Mr. Chau also served as director of the Tung Wah Group of Hospitals in 2008.

Mr. TAN Soo Kiu, CPA (Aust.), Independent Non-executive Director

Aged 81. Appointed an Independent Non-executive Director of the Company in 2004. He is the Chairman of the Audit Committee and Remuneration Committee of the Company. He is currently a retired person. He had been the General Manager of the Company for 11 years from 1991 to 2002 and had held various senior positions with banking institutions in Malaysia and Hong Kong for over 20 years before 1991.

Mr. YIU Kei Chung, B Soc. Sc., Independent Non-executive Director

Aged 68. Appointed an Independent Non-executive Director of the Company in 2015. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He received a Bachelor Degree from the University of Hong Kong in Social Science (Economics & Sociology) and obtained a Diploma in Advanced Training in Industrial Management from Delft University of Technology, the Netherlands. He is currently an independent non-executive director of Tai Sang Bank Limited and a member of the Hospital Governing Committee of the North District Hospital of the Hospital Authority. Mr. Yiu had served the Hong Kong Government for over 30 years and had held various positions in different departments. He had been the Deputy Director of Civil Aviation in the Civil Aviation Department, the Commissioner of the Hong Kong Export Credit Insurance Corporation, the Deputy Secretary (Health) of the ex-Health, Welfare and Food Bureau. Before his retirement in March 2013, he was the Executive Director (Corporate Services) of the Mandatory Provident Fund Schemes Authority.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management

Ms. Katy MA Ching Man, BA, Company Secretary

Aged 69. Joined the Company and appointed a Director and also Company Secretary of the Company in 1972, she was a Director of the Company until 21st January 2013. She is now the Company Secretary of the Company and a director of certain subsidiaries of the Company. She is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. She is the elder sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

Ms. Ruth MA Ching Keung, MBA, Director of Montgomery Lands, Incorporated

Aged 68. Joined the Company and appointed a Director of the Company in 1972, she was a Director of the Company until 21st January 2013. She is now the director of Montgomery Lands, Incorporated, a wholly owned subsidiary of the Company that operating in the United States. She is the elder sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen and Mr. Philip Ma Ching Yeung, and the younger sister of Ms. Amy Ma Ching Sau and Ms. Katy Ma Ching Man.

BANKERS

The Bank of East Asia, Limited
Hang Seng Bank Limited
HSBC Realty Credit Corporation (USA)
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Tai Sang Bank Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

11th Floor, Tai Sang Bank Building,
130-132 Des Voeux Road Central, Hong Kong.

REGISTRAR AND TRANSFER OFFICE

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

WEBSITE ADDRESS

www.tsld.com
www.irasia.com/listco/hk/taisangland/index.htm

CHAIRMAN'S STATEMENT

RESULT

I am pleased to report that the Group's consolidated profit for 2018 was HK$511.7 million. There was a mild decrease of HK$5.8 million or 1.1% as compared to HK$517.5 million for 2017. Earnings per share were HK$1.71 (2017: HK$1.75), a drop of 2.3% over last year. The consolidated profit for 2018 included fair value gains on investment properties (net of the relevant deferred tax in the United States) of HK$429.1 million (2017: HK$473.6 million).

The Group's underlying profit for 2018, being the consolidated profit excluding the effect of the fair value gains on investment properties (net of the relevant deferred tax in the United States), was approximately HK$82.6 million, increased by HK$38.7 million or 88.2% as compared to the corresponding figure of HK$43.9 million for 2017. The increase in the underlying profit was mainly attributable to the growth in rental income from Hong Kong and the USA properties.

The revenue of the Group for 2018 was HK$352.4 million, increased by HK$68.8 million or 24.3% as compared to HK$283.6 million for 2017.

As at 31st December 2018, the investment properties of the Group were revalued at HK$8,158.1 million (2017: HK$7,566.7 million). Total equity amounted to HK$7,827.8 million (2017: HK$7,375.9 million).

DIVIDEND

The directors have resolved to recommend a final dividend of HK12 cents (2017: HK8 cents) per ordinary share.

PROSPECTS

The asset enhancement schemes that the Group has been undertaking have started to payoff, with results reflected in the significant growth in rental income. The Group will continue to bring forward similar enhancement schemes to its other properties to maximize their potential and returns.

The Sino-US trade war has been dragged on for a while has caused significant adverse effects to global economies. Nonetheless, recently, there have been more meetings held between the two countries towards striking a deal that would be satisfactory to both. It is becoming hopeful that the trade war would end earlier in the coming months.

As the Belt and Road Initiative; as well as the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area proceed as planned, they will definitely benefit Asia, including Hong Kong, in the mid to long term, although some turbulences will be seen throughout their implementation.

It is expected that changes in interest rates for this year will be mild, and will not cause much effect, which will be beneficial to the global economies as a whole.

The Group takes a cautiously optimistic view on the market outlook, and will continue striving for enhancing income.

In closing, I wish to thank my fellow directors for their valuable guidance and to all staff members for their dedication and hard work.

William Ma Ching Wai
Chairman

Hong Kong, 22nd March 2019

BUSINESS REVIEW

In Hong Kong, the gross rental income for the year ended 31st December 2018 was HK$245.9 million, an increase of HK$50.7 million or 26% as compared to last year. The increment was mainly attributable to the significant increase in rental income from Gateway ts.

The income from hotel room tariff of Hotel LBP for the year ended 31st December 2018 remained stable at about HK$16.0 million with stable occupancy rate at about 97% on average. The profit generated from the hotel operation for the year ended 31st December 2018 was HK$2.4 million, increased HK$0.7 million or 41% over last year, resulting from reduced operating costs. Both of the restaurant Gees and the factory canteen ceased operation in 2018.

In the USA, the gross rental income from Montgomery Plaza for the year ended 31st December 2018 was HK$68.9 million, an increase of HK$13.2 million or 23.7% as compared to last year. The office space occupancy rate of Montgomery Plaza was 94% by the year end of 2018.

FINANCIAL RESOURCES

During the year, the Group's total bank borrowings increased by HK$384.7 million to HK$1,849.0 million (2017: HK$1,464.3 million), including outstanding long term bank loans of HK$1,459.4 million (2017: HK$1,118.3 million) as at 31st December 2018. The total equity increased by HK$451.9 million to HK$7,827.8 million (2017: HK$7,375.9 million). The debt to equity ratio was 23.6% (2017: 19.9%).

There are sufficient committed banking facilities available for the Group's current funding needs and for future business requirements. The Group's financial position remains healthy. There are no exposures to foreign exchange risk as the bank borrowings are in either Hong Kong or US dollars and the repayment of principals and interests are made by the respective borrowing currencies.

The Group has adopted and maintained the policy of reliance on short-term financing which is more economical because of lower interest rates. In the light of the low debt to equity ratio and long term business relationship with our bankers, the Group considers that this policy will continue to be used to lower the operating cost and that it will not impose any liquidity risks.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and US dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

Bank borrowings amount to about HK$1,744.0 million (2017: HK$1,329.3 million) of the Group are secured by certain properties with an aggregate carrying amount of HK$6,490.8 million (2017: HK$5,734.6 million) and the rental income therefrom.

The maturity of the Group's long term bank loans as at 31st December 2018 is summarized as follows:

	2018	2017
	HK$'000	HK$'000
– within one year	967,348	384,133
– in the second year	492,007	334,572
– in the third to fifth year	–	399,638
	1,459,355	1,118,343

The long term bank loans due within one year as at 31st December 2018 included mainly the construction loan, in the amount of HK$628.1 million, financing for the development at No. 43 Heung Yip Road, Aberdeen, which is due to complete by the end of year 2019.

DETAILS OF NUMBER AND REMUNERATION OF EMPLOYEES

As at 31st December 2018, the Group employed a total of 160 full-time employees which included the directors of the Company. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

The directors of Tai Sang Land Development Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. The activities of the principal subsidiaries are shown in note 30 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5(d) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2018 are set out in the consolidated statement of profit or loss on page 35 of this annual report.

The directors have declared an interim dividend of HK10 cents (2017: HK8 cents) per ordinary share, totalling HK$28,766,968 (2017: HK$23,013,574), which was paid on 24th September 2018.

The directors recommend the payment of a final dividend of HK12 cents (2017: HK8 cents) per ordinary share, totalling HK$34,520,361 (2017: HK$23,013,574).

The total dividends for the year ended 31st December 2018 amounted to HK22 cents (2017: HK16 cents) per ordinary share.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 12 to the consolidated financial statements. There was no movement during the year.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$2,767,272 (2017: HK$5,711,506).

PRINCIPAL PROPERTIES

Details of the Group's significant properties are set out on pages 93 to 94 of this annual report.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

BORROWINGS

Particulars of the bank loans are shown in notes 14 and 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2018, calculated under Part 6 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), amounted to HK$512,705,532 (2017: HK$507,488,564).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 95 of this annual report.

DIRECTORS

(a) Directors of the Company

The directors of the Company during the year and up to the date of this report were:

Executive directors:

William Ma Ching Wai	*(Chairman and Chief Executive)*
Patrick Ma Ching Hang, BBS, JP	*(Deputy Chairman)*
Alfred Ma Ching Kuen	*(Managing Director)*
Amy Ma Ching Sau	*(Managing Director)*
Philip Ma Ching Yeung	

Non-executive director:

Edward Cheung Wing Yui, BBS

Independent non-executive directors:

Kevin Chau Kwok Fun
Tan Soo Kiu
Yiu Kei Chung

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Patrick Ma Ching Hang, Mr. Edward Cheung Wing Yui and Mr. Yiu Kei Chung retire by rotation and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau and Mr. Philip Ma Ching Yeung are also directors of certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Ms. Joy Ma Ching Mun, Ms. Ida Ma Ching Kwai and Mr. Justin Ma Kwai Fung.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 1 to 4 of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' and senior management's emoluments are set out in note 29(a) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 31st December 2018, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company, and its associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of Part XV of SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Number of ordinary shares held at 31st December 2018

	Capacity			
	Personal interest	**Corporate interests**	**Total**	**Percentage**
		(notes (a) and (b))		
Directors:				
William Ma Ching Wai *	4,608,354	160,134,973	164,743,327	57.2682%
Patrick Ma Ching Hang	46,256	8,732,013	8,778,269	3.0515%
Alfred Ma Ching Kuen	9,987	–	9,987	0.0035%
Amy Ma Ching Sau	347,942	–	347,942	0.1210%
Philip Ma Ching Yeung	127,741	–	127,741	0.0444%
Edward Cheung Wing Yui	–	–	–	–
Kevin Chau Kwok Fun	–	–	–	–
Tan Soo Kiu	–	–	–	–
Yiu Kei Chung	–	–	–	–

* Mr. William Ma Ching Wai is also the Chief Executive of the Company.

All interests stated above represent long positions.

Notes:

(a) Kam Chan & Company, Limited ("Kam Chan & Co", in which Mr. William Ma Ching Wai held 62.30% interests) and its associates and Holston Investment Limited (in which Mr. William Ma Ching Wai held 77.20% interests) directly or indirectly owned 138,996,736 and 21,138,237 ordinary shares in the Company respectively.

(b) Tai Sang International Limited (in which Mr. Patrick Ma Ching Hang held 100% interests) directly owned 8,732,013 ordinary shares in the Company.

(c) Mr. Alfred Ma Ching Kuen beneficially held 9,886 shares (or 0.1765%) in the total number of issued shares of a subsidiary of the Company, Tai Sang Cold Storage & Godown Company Limited.

(d) Mr. Patrick Ma Ching Hang and Ms. Katy Ma Ching Man jointly and beneficially held 47 shares (or 0.94%); Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly and beneficially held 1 share (or 0.02%); and Mr. Alfred Ma Ching Kuen beneficially held 23 shares (or 0.46%) in the total number of issued shares of a subsidiary of the Company, Kam Hang Company Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION (Continued)

Number of ordinary shares held at 31st December 2018 (Continued)

Notes: (Continued)

(e) In addition, certain directors of the Company held non-beneficial interests in subsidiaries of the Company in trust to the absolute benefit of the Company, the details of which are available for inspection at the Company's registered office.

(j) Other than as stated above, as at 31st December 2018, no directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation.

(g) At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire the benefits by means of acquisition of shares, underlying shares or debentures of the Company or any of its specified undertakings or its other associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 31st December 2018, the interest and short position of substantial shareholders in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 336 of Part XV of the SFO were as follows:

Number of ordinary shares held at 31st December 2018

	Capacity			
	Personal interest	Corporate interests (note (a))	Total	Percentage
Substantial shareholders:				
Kam Chan & Co	112,248,758	26,747,978	138,996,736	48.3182%
Holston Investment Limited	21,138,237	–	21,138,237	7.3481%
Gold Fortune Investment Co. Ltd.	15,488,636	–	15,488,636	5.3842%

All interests stated above represent long positions.

Notes:

(a) Gold Fortune Investment Co. Ltd., Suremark Limited (beneficially interested in 5,852,920 shares in the Company) and Montgomery Securities Limited (beneficially interested in 5,406,422 shares in the Company) are wholly owned subsidiaries of Kam Chan & Co. The aggregate shareholding of these three companies are deemed to be the corporate interest of Kam Chan & Co in the ordinary shares in the Company.

(b) Save as disclosed above, as at 31st December 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of part XV of the SFO.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the continuing connected transaction as set out in the section headed "Continuing Connected Transaction" below, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

During the year, less than 30% of the Group's purchases were attributable to its five largest suppliers and less than 30% of the Group's revenues were attributable to its five largest customers.

None of the directors, their close associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the suppliers or customers noted above.

CONTINUING CONNECTED TRANSACTION

On 10th April 2017, a tenancy agreement (the "Tenancy Agreement") was entered into between Tai Sang Bank Limited ("TSB") as landlord and the Company as tenant for the renewal of the leases of the office premises:

Located at 2nd floor, 9th floor, 10th floor, 11th floor and 14th floor of Tai Sang Bank Building,130-132 Des Voeux Road Central, Hong Kong

Term: 15th April 2017 to 14th April 2019
Rental: HK$330,000 per month exclusive of rate and service charges

TSB is an associate of Kam Chan & Co (with Kam Chan & Co indirectly interested in more than 30% of its total number of issued shares) and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Tenancy Agreement constitutes a continuing connected transaction of the Company for the purpose of the Listing Rules.

As set out in the announcement of the Company dated 10th April 2017. the annual cap for the aggregate amount payable under the Tenancy Agreement entered into on 10th April 2017 in respect of the office premises for the year ended 31st December 2018 is HK$4,600,000. The aggregate amount paid by the Company to TSB under the Tenancy Agreement for the year ended 31st December 2018 was HK$4,488,000.

CONTINUING CONNECTED TRANSACTION (Continued)

The independent non-executive directors of the Company have reviewed the above continuing connected transaction and confirmed that this transaction has been entered into:

(i) on normal commercial terms;
(ii) in the ordinary and usual course of business of the Group; and
(iii) in accordance with the relevant agreements governing them and on terms that are fair and reasonable in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a unmodified report containing the findings and conclusions in respect of the above continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the aforementioned continuing connected transaction.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at date of this annual report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31st December 2018, all executive directors of the Company are directors and shareholders of Kam Chan & Co, which is also engaged in property investment, and may be in competition with the business carried on by the Group.

The directors are of the view that the Group is capable of carrying on its businesses independently of, and at arm's length from the property investment business. When making decisions on the property investment business, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31st December 2018, except for the code provision A.2.1, as explained in the section headed "Chairman and Chief Executive" in the Corporate Governance Report on page 20 of this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

BUSINESS REVIEW

Discussion and analysis of the Group's business as required by Schedule 5 of the Companies Ordinance, including a fair review of the Group's business; an indication of likely future development; an analysis of it using financial key performance indicators and particulars of important events affecting the Group that have occurred since the end of the year ended 31st December 2018 (if any), are included in the "Chairman's Statement" and "Management Discussion and Analysis" set out in this annual report on page 5 and pages 6 to 7 respectively. The discussions and analysis form part of this Report of the Directors.

Environmental policies and performance

The Group has complied with laws and regulations regarding environmental protection and has taken measures to promote environmental-friendliness of the workplace by encouraging paper recycling, water conservation and energy-saving practices to minimize the impact of operations on the environment and natural resources and to mitigate the emissions. The construction-related works for the Group's property development and renovation projects are outsourced to independent construction companies which are subject to various environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control, drainage control and noise control.

Further discussions on the Group's environmental policies and performance are covered by a separate Environmental, Social and Governance Report which will be posted on the websites of the Company and the Stock Exchange within three months from the publication of this annual report.

Compliance with laws and regulations

The Group has complied in material aspects in the relevant applicable laws and regulations that have significant impact on the businesses and operations of the Group during the year.

Key risk factors

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risks areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

Policy risks

Policy risks are mainly attributable to the regulatory policies launched by the governing bodies regarding the property market, credit policies and labour policies that may affect the Group to adjust its investment and development strategy to commensurate the changes in the relevant policies.

Market risks

Market risks are mainly attributable to the internal and external environmental changes such as changes in the domestic and overseas macro-economies, demand and supply of the property market and market competition. Failure to compete in terms of pricing and levels of services will adversely affect the performance of the Group.

BUSINESS REVIEW (Continued)

Key risk factors (Continued)

Operation risks

Operation risks are mainly attributable to the supervision and control procedures of each business segments involved in daily operation and management process of the Group, any default from business partners, tenants, suppliers or any deficiency or failure of our internal control which may cause negative effects on the business operation of the Group.

Financial risks

Financial risks are mainly attributable to the exposure of the Group's activities to the foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk. The impacts of the financial risks on the Group's performance are also discussed in note 3.1 to this consolidated financial statements.

Past performance and forward-looking statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual result may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume (a) any obligations to correct or update the forward-looking statements or opinions contained in this annual report; and (b) any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, tenants, customers, suppliers, contractors and service vendors.

Employees

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group is committed to ensuring the high standards in occupational health and safety and providing a safe working environment for our employees.

Tenants and customers

The Group has the mission to provide excellent client service to the tenants and hotel guests whilst maintaining long term profitability and business growth.

Suppliers, contractors and service vendors

Sound relationships with key suppliers, contractors and service vendors of the Group are important in supply chain management, properties maintenance and development, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. The key service vendors comprise system and equipment vendors, external consultants which provide professional services and other business partners which provide value added services to the Group.

DIVIDEND POLICY

The Company aims to maintain stable and sustainable returns to the shareholders of the Company and to retain adequate reserves for the Company's future growth. When proposing the amount of dividend, the Board will take into consideration a range of factors, including the operating results, cash flows and capital requirements of the Group, statutory and regulatory restrictions on the payment of dividends by the Company, the general economic condition and other factors of and affecting the Group.

There is no fixed dividend payout ratio and no assurance that dividends will be paid in any particular amount for any given period. Interim dividend will be declared by the Board. Final dividend will be recommended by the Board and approved by the Shareholders at the annual general meeting of the Company and the amount of final dividend approved shall not exceed the amount recommended by the Board. The Company may also provide special dividends from time to time. Dividends may be distributed by way of cash or scrip or by other means that the Board considers appropriate.

PERMITTED INDEMNITY PROVISIONS

The Company's Articles of Association provides that every director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no director shall liable for any loss, damages or misfortune which may happen or to be incurred by the Company in the execution of the duties of his office or in relation thereto.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the directors of the Group.

The relevant provisions in the Articles of Association of the Company and the directors' liability insurance were in force during the year and as of the date of this report.

AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 22nd March 2019

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

The Company complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the accounting year ended 31st December 2018, except for the code provision A.2.1, as explained in the section headed "Chairman and Chief Executive" below.

DIRECTORS' SECURITIES TRANSACTIONS

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

On specific enquires made, all directors confirmed that they had complied with the Model Code during the year ended 31st December 2018.

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprises five executive directors, one non-executive director and three independent non-executive directors ("INEDs"). The composition of the Board is set out as follows:

Executive directors	William Ma Ching Wai *(Chairman)* Patrick Ma Ching Hang *(Deputy Chairman)* Alfred Ma Ching Kuen Amy Ma Ching Sau Philip Ma Ching Yeung
Non-executive director	Edward Cheung Wing Yui
INEDs	Kevin Chau Kwok Fun Tan Soo Kiu Yiu Kei Chung

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) and 3.10A of the Listing Rules that there are three INEDs representing one-third of the Board and one of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise.

Each of the INEDs has provided an annual written confirmation of their independence that they meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Their independence has been assessed by the Nomination Committee. The Company considers all the INEDs are independent.

Biographical details of the directors and their relationships, where applicable, are set out on pages 1 to 3 of this annual report.

BOARD OF DIRECTORS (Continued)

Role of the Board

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on directors' appointment or re-appointment, material contracts and transactions as well as other significant policies and financial matters. The Board has delegated the day-to-day businesses of the Company to the management who works under the leadership and supervision of the Executive Committee of the Board.

The Executive Committee of the Board, comprises the Chairman and Chief Executive, Deputy Chairman, two Managing Directors and one executive director. The Executive Committee meets regularly to review and discuss the performance of the Group, current plans and long term opportunities, and any other issues of immediate concern.

The non-executive directors (a majority of whom are independent) provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee meetings.

Corporate Governance Functions

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

(a) to develop and review the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
(e) to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

During the year, the Board reviewed the Company's policies and practices on corporate governance and the disclosure in the Corporate Governance Report, reviewed the impacts of the amendments to Appendix 14 to the Listing Rules and adopted dividend policy and nomination policy for the Company to comply with such amendments.

Board Meetings

Board meetings are held at least 4 times a year at approximately quarterly intervals and involve the active participation, either in person or through other electronic means of communication, of a majority of directors. At least 14 days' notice of the regular board meetings is given to all directors, and all directors are given an opportunity to include matters for discussion in the agenda. An agenda and accompanying board papers are sent in full to all directors at least 4 days before the intended date of a regular board meeting. They also have access to the advice and service of the Company Secretary, who assists the Chairman in preparing the agenda for meetings, is responsible for providing directors with board papers and related materials and ensures that board procedures, and all applicable laws, rules and regulations are followed.

BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

The articles of association of the Company ("Articles of Association") stipulate that save for the exceptions as provided therein, a director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such director or any of his/her associates have a material interest.

Directors' Training

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company Secretary also provides directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for directors in the form of seminar and reading materials. A summary of training received by directors during the year according to the records provided by the directors is as follows:

	Corporate Governance/ Updates in Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Reading Materials**	**Attended Seminars/ Briefings**	**Reading Materials**	**Attended Seminars/ Briefings**
Executive directors				
William Ma Ching Wai *(Chairman)*	√	√	√	√
Patrick Ma Ching Hang	√	√	√	√
Alfred Ma Ching Kuen	√	√	√	√
Amy Ma Ching Sau	√	√	√	√
Philip Ma Ching Yeung	√	√	√	√
Non-executive director				
Edward Cheung Wing Yui	√	√	√	√
INEDs				
Kevin Chau Kwok Fun	√	√	√	√
Tan Soo Kiu	√	√	√	√
Yiu Kei Chung	√	√	√	√

CHAIRMAN AND CHIEF EXECUTIVE

The code provision A.2.1 of the CG Code stipulates that the positions of the chairman and chief executive should be held by separate individuals as to maintain an effective segregation of duties.

Mr. William Ma Ching Wai, the Chairman of the Board of Directors was appointed the Chief Executive of the Company on 15th June 2017, since then Mr. Ma holds both positions as the Chairman and Chief Executive of the Company. This is a deviation from the code provision with respect to the roles of chairman and chief executive to be performed by different individuals.

The Board believes that vesting the roles of both Chairman and Chief Executive on the same individual will enable the Company to have a stable and consistent leadership and also facilitate the planning and execution of the Company's strategy. The Board is of the view that the balance of power and authority is adequately ensured as all major decisions have been made in consultation with the Board and appropriate Board committees, as well as top management, and there are one NED and three INEDs on the Board offering their experience, expertise, independent advice and views from different perspectives.

NON-EXECUTIVE DIRECTORS

All non-executive directors have entered into letters of appointment with the Company for a specific term of three years. All non-executive directors are also subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Articles of Association.

Serving more than 9 years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by shareholders.

BOARD COMMITTEES

The Board has established various committees, including Audit Committee, Remuneration Committee and Nomination Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members. The committees are required to report back to the Board on their decision and recommendations where appropriate. All the Board committees are empowered by the Board under their own terms of reference which have been posted on the websites of the Company and the Stock Exchange.

Audit Committee

Members:

INEDs	Tan Soo Kiu *(Chairman)* Kevin Chau Kwok Fun Yiu Kei Chung
Non-executive director	Edward Cheung Wing Yui

The Audit Committee was established in March 1999. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The main responsibilities of the Audit Committee are to review and monitor the integrity of the Company's financial statements, annual report and interim report. Other responsibilities include making recommendations to the board on the appointment, reappointment and removal of the external auditor, approval of the external auditor's remuneration and terms of engagements, to review and monitor the external auditors independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to develop and implement policy on engaging an external auditor to supply non-audit services, and to act as the key representative body for overseeing the Company's relations with the external auditor. The Audit Committee is also charged with overseeing the Company's financial reporting system, the effectiveness of risk management and internal control systems, and reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the year, the Audit Committee held 2 meetings. The work performed by the Audit Committee during the financial year ended 31st December 2018 are summarised below:

(i) reviewed annual report for the year ended 31st December 2017, and interim report for the six months ended 30th June 2018;
(ii) proposed the appointment of PricewaterhouseCoopers ("PwC") as Independent Auditor of the Company and approved the auditor's remuneration and terms of engagements;
(iii) reviewed and discussed with the Independent Auditor in respect of the consolidated financial statements for the year ended 31st December 2017 and the interim financial information for the six months ended 30th June 2018; and
(iv) reviewed and assessed the adequacy and effectiveness of the Group's financial controls, risk management and internal control systems, and the effectiveness of the Group's internal audit function.

Remuneration Committee

Members:

INEDs	Tan Soo Kiu *(Chairman)* Yiu Kei Chung
Executive director	Amy Ma Ching Sau

The Remuneration Committee was established in April 2005. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive directors and senior management.

The Remuneration Committee is mainly responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of directors and senior management.

During the year, the Remuneration Committee held 2 meetings. The Remuneration Committee reviewed the remuneration policy for executive directors and senior management of the Company, assessed performance of executive directors, and made recommendations on the Group's bonus structure, retirement benefit scheme and other compensation related issues.

BOARD COMMITTEES (Continued)

Nomination Committee

Members:

Executive director	William Ma Ching Wai *(Chairman)*
INEDs	Kevin Chau Kwok Fun Yiu Kei Chung

The Nomination Committee of the Company was established in March 2012. The terms of reference of the Nomination Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

The Nomination Committee is mainly responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors in accordance with Rule 3.13 of the Listing Rules, and make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors.

During the year, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure and composition of the Board, recommended the re-election of the retiring directors and assessed the independence of all the INEDs.

The Nomination Committee is also responsible to review the Nomination Policy and Board Diversity Policy, when appropriate to ensure the effectiveness of such policies and will discuss any revisions that may be required to be considered and approved by the Board.

Nomination Policy

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed change to the Board to complement the Company's corporate strategy. When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee shall invite nominations of candidates from Board members (if any) for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members and may recommend to hire an executive search firm, if necessary, to identify suitable and qualified candidate for serving on the Board.

The Nomination Committee shall evaluate any potential candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship and recommend to the Board the appropriate person among the candidates nominated for directorship for its consideration:

(a) the Nomination Committee shall consider the current structure, size and composition of the Board and the needs of the Board and the respective committees of the Board when recommending any potential new director(s) to the Board; and

BOARD COMMITTEES (Continued)

Nomination Policy (Continued)

(b) the Nomination Committee shall refer to the following factors in assessing the suitability of a proposed director:

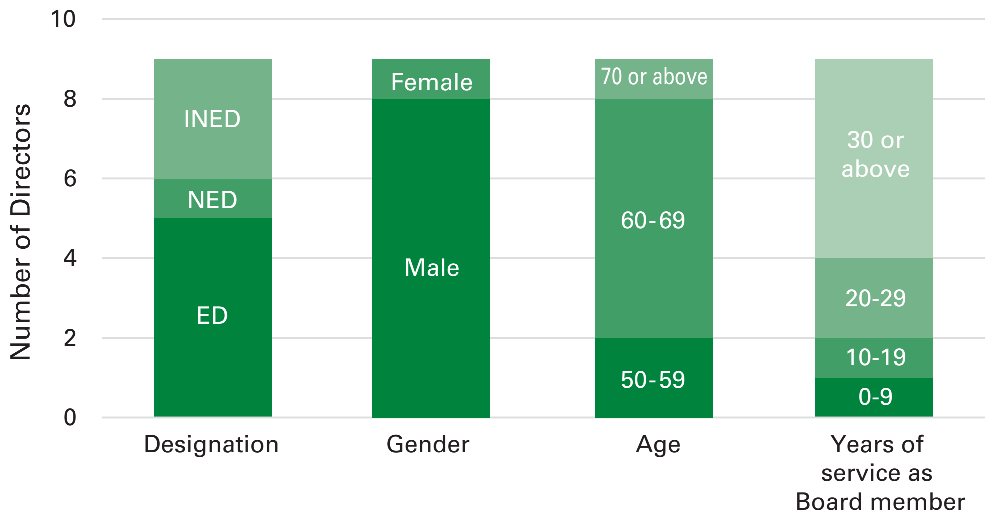
(i) character and integrity;
(ii) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
(iii) willingness to devote sufficient time to discharge duties as a Board member and/or member(s) of committee(s) of the Board;
(iv) contribution to the diversity of the Board;
(v) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence requirements set out in the Listing Rules; and
(vi) such other perspectives appropriate to the Company's business.

Board Diversity Policy

The Company recognises the importance and the benefit of having a diverse Board that fits its own business model and specific needs in order to achieve its corporate goals and strategies. A number of factors, including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge, will be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Company's corporate goals and strategic objectives. The Company also sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company does not discriminate on the grounds of race, gender, disability, age, religions or any other factor.

The Company aims to ensure that Board appointments will be made on the basis of a range of diversity factors, including those set out above. Selection of candidates to join the Board will be, in part, dependent on the pool of available candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution the chosen candidate will bring to the Board, having regard for the benefits of diversity on the Board.

The diversity profile of the Board as at the date of this report is as follows:



BOARD COMMITTEES (Continued)

Board Diversity Policy (Continued)

The members of the Board come from a variety of different backgrounds and have a diverse range of professional experience, skills and knowledge in various sectors including property investment and development, finance and banking, investment, accounting, legal, government, commerce and entrepreneurship. They also hold or have held important public service positions in Hong Kong, covering industry and commerce, health and welfare, charity, education and regulations.

The Board composition reflects various age, gender, cultural and educational background, professional experience, skill and knowledge. The Nomination Committee considers the current Board composition has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. It also includes a balanced composition of executive and non-executive directors with a strong independent element on the Board, which can effectively exercise independent judgment. The Nomination Committee will continue to review the Board composition from time to time, taking into consideration the specific needs for the Group's business.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

	Number of Meetings Attended/ Eligible to attend for the year ended 31st December 2018				
Name of directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Annual General Meeting**
Executive directors					
William Ma Ching Wai *(Chairman)*	4/4			1/1	1/1
Patrick Ma Ching Hang	4/4				1/1
Alfred Ma Ching Kuen	4/4				1/1
Amy Ma Ching Sau	4/4		2/2		1/1
Philip Ma Ching Yeung	4/4				1/1
Non-executive director					
Edward Cheung Wing Yui	4/4	2/2			1/1
INEDs					
Kevin Chau Kwok Fun	4/4	2/2		1/1	1/1
Tan Soo Kiu	4/4	2/2	2/2		1/1
Yiu Kei Chung	4/4	2/2	2/2	1/1	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors endeavor to ensure a balanced, clear and comprehensible assessment of the Group's performance, position and prospects in annual and interim reports and other disclosures required under the Listing Rules and other statutory requirements. All members of the Board are provided with monthly updates, which give the directors a balanced and understandable assessment of the performance, position and prospects of the Group. Management provides all relevant information to the Board, giving the members sufficient explanation and information they need to discharge their responsibilities.

The Board is responsible for the preparation of the consolidated financial statements that give a true and fair view of the Company's and the Group's financial position on a going-concern basis, with supporting assumptions or qualifications as necessary. The consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, the Listing Rules and the Companies Ordinance. Appropriate accounting policies have also been used and applied consistently except for the adoption of the new and revised HKFRSs.

The reporting responsibilities of directors and external auditor are set out in the Independent Auditor's Report on pages 29 to 32 of this annual report.

Auditors' Remuneration

The fees in respect of audit and audit related services provided to the Company and its subsidiaries by PwC and other auditors were HK$2,192,200 and HK$565,500 respectively for the year. Fees for non-audit services, which mainly consist of taxation services, provided by PwC and other auditors were HK$451,000 and HK$202,800 respectively.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman of the Board and is responsible for advising the Board on governance matters and to facilitate induction and professional development of directors. The biography of the Company Secretary is set out on page 4 of this annual report.

The Company Secretary has provided her training records to the Company indicating that she has undertaken more than 15 hours of relevant professional development during the year ended 31st December 2018, by means of attending seminars and reading relevant guidance materials.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting ("EGM")

In accordance with Sections 566 to 568 of the Companies Ordinance, shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may require the directors of the Company to convene an EGM. The written requisition must state the general nature of the business to be dealt with at the EGM and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 11th Floor, Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong for the attention of the Company Secretary in hard copy form or sent to the Company in electronic form. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

SHAREHOLDERS' RIGHTS (Continued)

Convening Extraordinary General Meeting ("EGM") (Continued)

If the directors of the Company do not within 21 days after the date on which the written requisition is received by the Company proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the original requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Any reasonable expenses incurred by the shareholder(s) requesting the meeting by reason of the failure of the directors to duly convene a meeting will be reimbursed to shareholder(s) by the Company.

Putting Forward Proposals at Shareholders' Meetings

Shareholders are requested to follow Sections 615 and 616 of the Companies Ordinance for including a resolution at an annual general meeting of the Company ("AGM"). The requirements and procedures are set out below:

(i) Any number of shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an AGM to which the requisition relates, or at least 50 shareholders having a right to vote on the resolution at an AGM to which the requisition relates, may submit a requisition in writing to put forward a resolution which may properly be moved at an AGM.

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of an AGM unless a copy of the requisition specifying the resolution of which notice is to be given and signed by the shareholders concerned; or 2 or more copies which between them contain the signatures of all the shareholders concerned is deposited at the registered office of the Company at 11th Floor, Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong for the attention of the Company Secretary in hard copy form or is sent to the Company in electronic form not less than (i) 6 weeks before an AGM to which the requisition relates; or (ii) if later, the time at which notice is given of that AGM.

If a shareholder of the Company intends to propose a person other than a director of the Company for election as a director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the Company Secretary (i) a written notice of his intention to propose that person for election as a director; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the dispatch of the notice of the general meeting and ending no later than 7 days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board through the Company Secretarial Department at 11/F., Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong (email: shareholderenquiry@tsld.com).

INVESTORS RELATION

Constitutional Documents

The latest version of the Articles of Association is available on both the websites of the Company and the Stock Exchange. During the year, there is no change in the Company's Articles of Association.

Communication with Shareholders

The Board and senior management maintain an on-going dialogue with the Company's shareholders and investors and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

The Chairman of the Board will attend the annual general meetings and he will invite the chairmen of the Audit Committee, Remuneration Committee and Nomination Committee to attend. In their absence, the Chairman of the Board will invite another member of the committee or failing this, his duly appointed delegate to attend. These persons will be available to answer questions at the annual general meetings.

The Chairman of the Board will ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to oversee the Group's risk management and internal control systems on an ongoing basis and ensure that a review of the effectiveness of both systems has been conducted at least annually. The reviews cover all material controls including financial, operational and compliance controls.

The Board and the management take priority on the Group's implementation of risk management process and internal controls. Comprehensive risk management and internal control systems based on risk identification, measures, internal audit and assessment, monitoring and ongoing improvement are established. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management framework comprises of the Board, the management, Audit Committee and risk management and internal control functions. Its main features and processes are as follows:

1. The Board is responsible for overseeing the risk management and internal control systems to ensure the core values, strategic planning and operational guidelines and communications of the above throughout the Group are effective. Risk controls are embedded into the operations.

2. The management is responsible for the design, implementation and monitoring of the risk management and internal control systems. The management monitors to ensure that all the operation managers comply with the established policies and procedures.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

3. Risk management and internal control functions assist the Board to ensure that Group's effective implementation of policies, procedures and controls are in place. Risk management function initiates the risk management plan and determines risk factors with support from the operation departments. The identified risks are evaluated based on the likelihood of occurrence and impact of such risks. Policies and procedures are then determined to mitigate the risks. Internal control function is responsible to conduct regular reviews on the implementation of the policies and procedures and recommend changes in response to different business and control environments. Regular review is carried out via, among others, conducting interviews with relevant management and staff members, carrying out walkthrough tests and reviewing relevant documentation.

4. The Audit Committee supports the Board in reviewing the risk management and internal control systems to ensure effective controls are in place. The risk management and internal control functions regularly report the audit assessment and make recommendations to the Audit Committee.

During the year of 2018, the internal audit function performed two semi-annual risk-based audits to review and assess the effectiveness of the Company's risk management and internal control systems. The reviews covered the functions over financial, operation and compliance, with emphasis on property rental system, tendering procurement system and financial reporting, to assure that risk management and internal control systems are adequate and effective.

Two Audit Committee meetings were held in year 2018 to review the risk management and internal control systems. Both systems are confirmed effective and adequate. Frequency and extent of communication of monitoring results to the Board is adequate. The Board conducted on-going review of the effectiveness of both systems of the Group and considered that both systems in place are effective and adequate. No significant control failings or weakness was identified. Besides, the resources, staff qualifications and experience, training programmes and budget of accounting, internal audit and financial reporting functions were reviewed and assured adequate.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 22nd March 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TAI SANG LAND DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Tai Sang Land Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 33 to 92, which comprise:

- the consolidated statement of financial position as at 31st December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

Basis for Opinion

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

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

Independence

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 this matter.

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 2.7, 4(a)(i) and 7 to the consolidated financial statements The amount of the investment properties in the consolidated statement of financial position was HK$8,158 million and the fair value gain of investment properties for the year was HK$466 million. The Group's investment properties and its changes in valuation are significant to the consolidated statement of financial position and consolidated statement of profit or loss respectively. The valuations were carried out by third party valuers for all the investment properties in order to support management's estimate. The valuation of completed properties were based on the income capitalisation method and direct comparison method which depend on certain key assumptions that require significant management estimate and judgement, including market rents and capitalisation rates. The valuation of properties under development was based on the residual method which depends on key assumptions including the gross development value of the project upon completion (estimated using a direct comparison method) less estimated development costs and developer's profit. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.	**Experience of valuers and relevance of their work** We assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether they have the experience and whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. **Data provided to the valuers** For completed investment properties, we performed testing on a sample basis on the data provided by the Group to the valuers from which the valuation was based upon. This data included key terms of lease agreements, rental income schedules and vacant information which we agreed to appropriate supporting documentation. For properties under development, we checked the planned schemes being valued on a sample basis that the planned schemes being valued were consistent with the allowed development parameters. For the budgeted costs adopted by the valuers, we agreed them on a sample basis to our independently formed market expectation or industry data. **Assumptions and estimates used by the valuers** We attended meetings with the valuers in which the valuation approaches and the key assumptions therein were discussed. The assumptions used varied across the portfolio depending on the age, nature and location of each property and they included market rents, capitalisation rates, gross development value, estimated development costs and allowance for developer's profit for properties in similar location and condition. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the valuers against the published industry benchmarks and comparable market transactions, and our experience in this sector. We considered that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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 Yam Kwok Damien Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Note	2018	2017
		HK$	HK$
Non-current assets			
Property, plant and equipment	6	1,693,970,404	1,429,096,939
Investment properties	7	8,158,136,000	7,566,706,400
Financial assets at fair value through other comprehensive income	8	29,582,659	–
Available-for-sale financial assets	8	–	34,759,579
		9,881,689,063	9,030,562,918
Current assets			
Properties for sale	9	109,596,388	101,740,124
Inventory		–	49,913
Debtors and prepayments	10	45,326,965	41,737,563
Current income tax recoverable		93,876	90,926
Cash and cash equivalents	11	61,935,771	51,509,824
		216,953,000	195,128,350
Total assets		10,098,642,063	9,225,691,268
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	12	417,321,278	417,321,278
Reserves	13	7,185,291,236	6,747,552,580
		7,602,612,514	7,164,873,858
Non-controlling interests		225,208,760	211,012,636
Total equity		7,827,821,274	7,375,886,494
Non-current liabilities			
Long term bank loans – secured	14	492,007,593	734,210,035
Deferred income tax liabilities	15	298,889,774	247,906,286
		790,897,367	982,116,321

	Note	2018	2017
		HK$	HK$
Current liabilities			
Rental and other deposits		85,901,463	86,920,835
Creditors and accruals	16	35,743,642	49,935,641
Current income tax liabilities		1,250,756	707,878
Short term bank loans	17	381,991,250	345,991,250
Current portion of long term bank loans – secured	14	967,347,859	384,132,849
Bank overdrafts	17	7,688,452	–
		1,479,923,422	867,688,453
Total equity and liabilities		10,098,642,063	9,225,691,268

The financial statements on pages 33 to 92 were approved by the board of directors on 22nd March 2019 and were signed on its behalf.

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	2018	2017
		HK$	HK$
Revenues	5(a)	352,361,761	283,630,266
Cost of sales	18	(89,704,058)	(90,537,335)
Gross profit		262,657,703	193,092,931
Fair value gains on investment properties	7	466,253,152	391,152,143
Other gains, net	19	3,248,569	10,308,910
Administrative expenses	18	(115,463,222)	(115,955,792)
Other operating expenses	18	(12,191,012)	(10,119,484)
Operating profit		604,505,190	468,478,708
Finance income	21	311,667	94,422
Finance costs	21	(38,484,271)	(25,622,714)
Finance costs, net		(38,172,604)	(25,528,292)
Profit before income tax		566,332,586	442,950,416
Income tax (expense)/credit	22	(54,639,088)	74,542,847
Profit for the year		511,693,498	517,493,263
Attributable to:			
Owners of the Company	13	492,802,815	502,055,056
Non-controlling interests		18,890,683	15,438,207
		511,693,498	517,493,263
Earnings per share (basic and diluted)	23	HK$1.71	HK$1.75

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	2018	2017
		HK$	HK$
Profit for the year		511,693,498	517,493,263
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available-for-sale financial assets	8	–	1,513,638
Recycle to profit or loss upon disposal of available-for-sale financial assets		–	(4,772,783)
Exchange translation differences	13	–	(1,688)
Item that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income	8	(5,164,976)	–
Other comprehensive income for the year		(5,164,976)	(3,260,833)
Total comprehensive income for the year		506,528,522	514,232,430
Total comprehensive income attributable to:			
Owners of the Company	13	489,519,198	498,623,579
Non-controlling interests		17,009,324	15,608,851
		506,528,522	514,232,430

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	2018	2017
		HK$	HK$
Operating activities			
Net cash generated from operations	25(a)	147,133,254	70,119,263
Hong Kong profits tax paid		(3,133,434)	(4,429,853)
Hong Kong profits tax refunded		31,022	49,722
Overseas taxation paid		(13,260)	(14,318)
Net cash generated from operating activities		144,017,582	65,724,814
Investing activities			
Additions of property, plant and equipment		(261,751,288)	(95,661,582)
Additions of investment properties		(137,881,538)	(257,591,936)
Proceeds on disposal of financial assets at fair value through other comprehensive income/available-for-sale financial assets		11,944	18,127,566
Proceeds on disposal of property, plant and equipment		25,000	2,662,351
Interest received		311,667	94,422
Dividends received		3,432,909	5,742,769
Net cash used in investing activities		(395,851,306)	(326,626,410)
Financing activities			
Interest paid		(66,642,994)	(39,172,963)
Drawn down of bank loans	25(b)	622,650,000	628,500,000
Repayments of bank loans	25(b)	(246,842,045)	(305,042,052)
Dividends paid to shareholders		(51,780,542)	(40,273,755)
Dividends paid to non-controlling shareholders of subsidiaries		(2,813,200)	(3,979,700)
Net cash generated from financing activities		254,571,219	240,031,530
Net increase/(decrease) in cash and cash equivalents		2,737,495	(20,870,066)
Exchange translation difference		–	(1,688)
Cash and cash equivalents at 1st January		51,509,824	72,381,578
Cash and cash equivalents at 31st December		54,247,319	51,509,824
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		61,935,771	51,509,824
Bank overdrafts		(7,688,452)	–
		54,247,319	51,509,824

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2018

	Attributable to owners of the Company							
	Share capital	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total reserves	Non-controlling interests	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1st January 2018	417,321,278	549,850,101	12,730,402	7,232,063	6,177,740,014	6,747,552,580	211,012,636	7,375,886,494
Adoption of HKFRS 9	-	-	(28,001,188)	-	28,001,188	-	-	-
Restated total equity at 1st January 2018	417,321,278	549,850,101	(15,270,786)	7,232,063	6,205,741,202	6,747,552,580	211,012,636	7,375,886,494
Comprehensive income								
Profit for the year	-	-	-	-	492,802,815	492,802,815	18,890,683	511,693,498
Other comprehensive income								
Net fair value loss on financial assets at fair value through other comprehensive income	-	-	(3,283,617)	-	-	(3,283,617)	(1,881,359)	(5,164,976)
Transfer of loss on disposal of equity investment at fair value through other comprehensive income to retained profits	-	-	15,923	-	(15,923)	-	-	-
Total comprehensive income for the year	-	-	(3,267,694)	-	492,786,892	489,519,198	17,009,324	506,528,522
Transaction with owners								
Dividends paid	-	-	-	-	(51,780,542)	(51,780,542)	(2,813,200)	(54,593,742)
At 31st December 2018	417,321,278	549,850,101	(18,538,480)	7,232,063	6,646,747,552	7,185,291,236	225,208,760	7,827,821,274

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company							
	Share capital	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total reserves	Non-controlling interests	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
At 1st January 2017	417,321,278	549,850,101	16,160,191	7,233,751	5,715,958,713	6,289,202,756	199,383,485	6,905,907,519
Comprehensive income								
Profit for the year	–	–	–	–	502,055,056	502,055,056	15,438,207	517,493,263
Other comprehensive income								
Net fair value gain on available-for-sale financial assets	–	–	1,342,994	–	–	1,342,994	170,644	1,513,638
Recycle to profit or loss upon disposal of available-for-sale financial assets	–	–	(4,772,783)	–	–	(4,772,783)	–	(4,772,783)
Exchange translation difference	–	–	–	(1,688)	–	(1,688)	–	(1,688)
Total comprehensive income for the year	–	–	(3,429,789)	(1,688)	502,055,056	498,623,579	15,608,851	514,232,430
Transaction with owners								
Dividends paid	–	–	–	–	(40,273,755)	(40,273,755)	(3,979,700)	(44,253,455)
At 31st December 2017	417,321,278	549,850,101	12,730,402	7,232,063	6,177,740,014	6,747,552,580	211,012,636	7,375,886,494

The notes on pages 40 to 92 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Tai Sang Land Development Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in property investment, property rental, property development, estate management and agency and hotel operation.

The Company is a limited liability company incorporated in Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollar (HK$), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 22nd March 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through other comprehensive income ("FVOCI") which are measured at fair value.

The Group had net current liabilities of HK$1,262,970,422 as at 31st December 2018. The current liabilities mainly included short term bank loans of HK$381,991,250 and current portion of long term bank loans of HK$967,347,859. Based on the Group's history of refinancing, its available banking facilities and its assets backing, the directors consider that the Group will be able to obtain sufficient financial resources so as to enable it to operate and meet its liabilities as and when they fall due. The directors believe that the Group will continue as a going concern and consequently prepared the consolidated financial statements on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are relevant and mandatory to the Group for the first time for the financial year beginning on or after 1st January 2018:

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current year has no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policy and disclosures (Continued)

(b) Impact on the financial statements

As explained in note 2.2(c) below, HKFRS 9 was generally adopted without restating comparative information.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)

	At 31st December 2017 as originally presented	Effects of the adoption of HKFRS 9	At 1st January 2018
	HK$	HK$	HK$
Non-current assets			
Available-for-sale financial assets	34,759,579	(34,759,579)	–
Financial assets at fair value through other comprehensive income	–	34,759,579	34,759,579

(c) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 "Financial Instruments" from 1st January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 2.9 below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

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

The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income for all its available-for-sale financial assets. The Group has used modified retrospective approach while adopting HKFRS 9, without restating comparative information. As a result, listed and unlisted available-for-sale financial assets with a fair value of HK$34,759,579 at 31st December 2017 were reclassified from available-for-sale financial assets to financial assets at FVOCI on 1st January 2018. Cumulative impairment losses of HK$28,001,188 were reclassified from opening retained profits to investment revaluation reserve on 1st January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policy and disclosures (Continued)

(c) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets

The Group's trade receivables are subject to HKFRS 9's new expected credit loss model. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

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

Impairment on other receivables and amount due from group companies is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, HKAS 11 and the related interpretations that relate to the recognition of revenues. HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Rental income from lease agreements is specifically excluded from the scope of the new standard. The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1st January 2018 which had no material effect on timing and amount of revenues recognised in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policy and disclosures (Continued)

(e) New standards and interpretations not yet adopted

The following new standards and amendments to standards are relevant and mandatory to the Group for the accounting period beginning on or after 1st January 2019 and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1st January 2019
HKFRS 16	Leases	1st January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1st January 2019

The Group has already commenced an assessment of the impact of adopting the above new and amended standards. The Group does not identified any standards which may have a significant impact on the financial statements. The Group will adopt the above new and amended standards when they become effective.

2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December 2018.

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

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Consolidation (Continued)

Business combination (Continued)

Acquisition related costs are expensed as incurred. The excess of the consideration transferred and the fair value of non-controlling interest over the net assets acquired and liabilities assumed is recorded as goodwill. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of profit or loss.

In the Company's statement of financial position, investments in subsidiaries are accounted for cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each statement of profit or loss are translated at average exchange rates; and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale.

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

(iv) Disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holding of the Company are reclassified to the consolidated statement of profit or loss.

2.6 Property, plant and equipment

(i) Leasehold land classified under finance lease and freehold land

Leasehold land classified as finance lease are stated at cost less accumulated depreciation and impairment losses. Freehold land is stated at cost less accumulated impairment losses. No depreciation is provided for freehold land.

Depreciation of leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. The depreciation is calculated using the straight-line basis over the remaining period of the leases or their estimated useful life of 20 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

(ii) Buildings

Buildings are stated at cost less accumulated depreciation and impairment losses.

Depreciation of buildings is provided to write off the cost less impairment losses and residual value on a straight-line basis over 15 to 40 years.

(iii) Property under development

Property under development are interest in land and building on which construction work has not been completed. Property under development is carried at cost which includes land cost, development and construction expenditure and other direct costs attributable to the development less any impairment losses.

(iv) Plant and equipment

Plant and equipment, comprising plant and machinery, furniture and equipment and motor vehicles, are stated at cost less accumulated depreciation and impairment losses.

Depreciation of plant and equipment is calculated using straight-line method to allocate cost to their residual values over their estimated useful lives of 3 to 10 years.

(v) Leasehold improvement

Leasehold improvement is stated at cost less accumulated depreciation and impairment losses.

Depreciation of leasehold improvement is calculated using straight-line method to allocate cost to their residual value over the shorter of the lease term or estimated useful lives of 5 years.

(vi) Subsequent costs, residual value, useful lives and disposal

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group companies, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property comprises freehold land, leasehold land and buildings. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Changes in fair value are recognised in the statement of profit or loss. The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

2.8 Impairment of non-financial assets and investments in subsidiaries

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

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

2.9 Investments and other financial assets

(i) Classification

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Equity instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(iv) Impairment

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Accounting policies applied until 31st December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The Group classifies its financial assets in the following two categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets when the maturities are greater than 12 months after the reporting period.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investments mature or management intends to dispose them within 12 months from the end of reporting period.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the statement of profit or loss as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques which refer to observable market data and are commonly used by market participants.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(v) Accounting policies applied until 31st December 2017 (Continued)

(c) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss.

Available-for-sale financial assets

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Investments and other financial assets (Continued)

(v) Accounting policies applied until 31st December 2017 (Continued)

(c) Impairment of financial assets (Continued)

Available-for-sale financial assets (Continued)

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss – is removed from equity and recognised in statement of profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of profit or loss – is removed from equity and recognised in statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

2.10 Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises development expenditure and other associated expenditures, including interest capitalised. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.15 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

2.16 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

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

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Contingent liabilities and contingent assets

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

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

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

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

2.18 Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

(i) Rental income

Rental income is recognised on a straight-line basis over the terms of the lease agreements.

(ii) Agency commission and management fees

Agency commission and management fees income is recongised over time when the service is rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue and income recognition (Continued)

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Income on sale of properties and investments

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provide all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls; or
- do not create an asset with an alternative use of the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

(v) Income from hotel operations

Income from hotel operations are recognised when the customers simultaneously receive and consume the benefits provided by the Group.

(vi) Sales of food and beverages

Income from sales of food and beverages is recognised at a point in time when the goods are delivered to customers and title has passed.

(vii) Interest income

Interest income from a financial asset is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Retirement benefit obligations

The Group's contributions to the defined contribution retirement schemes are available to all employees in Hong Kong and the United States of America ("US"). The assets of the schemes are held separately from those of the Group in independently administered funds.

The US subsidiaries, which participate in the US government benefit schemes, are required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

The Group's contributions to the aforesaid defined contribution retirement schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective territories and are charged to the statement of profit or loss as incurred.

Employee entitlements to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the end of reporting period. The provision for long service payments is included as liabilities in the financial statements.

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the issue of a financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

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

2.21 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments"; and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Financial guarantee contracts (Continued)

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

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.22 Operating leases

Leases where substantially all the risks and rewards of ownership are remained with the lessors are classified as operating leases.

(i) Leases – where the Group is the lessor

Where the Group leases out assets under operating leases, the assets are included in the statement of financial position according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2.18(i) above.

(ii) Leases – where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the lease periods.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk, interest rate risk and price risk.

(a) Foreign exchange risk

The Group operates in the US and Hong Kong and is primarily exposed to foreign exchange risk arising from US dollar ("US$"). The foreign exchange risk exposure is considered to be minimal to the Group because Hong Kong dollar is pegged to US dollar.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents and debtors, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

To manage this risk arising from cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

Based on historical experience, majority of debtor receivables were settled shortly upon maturity, hence the expected credit loss is immaterial. Management considers the credit risk is not high. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and consider that the expected credit risks of them are minimal in view of the history of cooperation with them.

(c) Liquidity risk

The Group adopts a prudent liquidity risk management and maintains sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities.

At 31st December 2018, the Group's net current liabilities amounted to HK$1,262,970,422 (2017: HK$672,560,103). Based on the Group's history of refinancing, the directors consider that the Group will be able to refinance its existing short term bank loans and obtain sufficient financial resources so as to satisfy its working capital requirements, provision for payments of liabilities as and when they fall due and its future capital commitments. Management also reviewed the compliance of loan covenants as at 31st December 2018 and no non-compliance of covenants was noted. The directors has been closely monitored the expected liquidity requirements to ensure the maintenance of sufficient reserves of cash and adequate committed lines of funding.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for bank borrowings, balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2018

	Within one year	In the second year	In the third to fifth year
	HK$	HK$	HK$
Rental and other deposits	85,901,463	–	–
Creditors and accruals	35,743,642	–	–
Bank overdrafts	7,688,452	–	–
Short term bank loans	395,077,297	–	–
Long term bank loans	1,021,891,600	509,873,632	–
	1,546,302,454	509,873,632	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

2017

	Within one year	In the second year	In the third to fifth year
	HK$	HK$	HK$
Rental and other deposits	86,920,835	–	–
Creditors and accruals	49,935,641	–	–
Short term bank loans	356,581,972	–	–
Long term bank loans	421,968,512	359,111,086	411,107,455
	915,406,960	359,111,086	411,107,455

(d) Interest rate risk

The Group is primarily exposed to interest rate risk arising from bank borrowings and bank overdrafts. The Group's policy is to maintain all its bank borrowings in floating rate instruments except when management's objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowings. The Group will attempt to refinance by fixed rate borrowings at a lower rate if and when available.

At 31st December 2018, if interest rates on bank borrowings had been 10 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been decreased/increased by HK$1,566,000 (2017: HK$1,244,000) before taking account of interest capitalisation, mainly as a result of higher/lower interest expense on floating rate borrowings.

(e) Price risk

The Group is exposed to equity securities price risk for the Group's financial assets at FVOCI. The performance of the Group's investments is closely monitored, together with an assessment of their relevance to the Group's long term strategic plans.

At 31st December 2018, if the fair value of the equity securities had been 10% higher with all other variances held constant, the investment revaluation reserve would have been increased by HK$2,958,000 (2017: HK$3,476,000). If the fair value of equity securities had been 10% lower with all other variables held constant, the profit after income tax for the year and investment revaluation reserve would have been decreased by HK$Nil and HK$2,958,000 (2017: HK$800,000 and HK$2,676,000) respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

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

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

The Group monitors capital on the basis of the debt (total borrowings) to equity (total equity) ratio. The debt to equity ratio is 23.6% (2017: 19.9%) as at 31st December 2018.

3.3 Fair value estimation

Financial instruments that are measured in the consolidated statement of financial position at fair value required disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31st December 2018 and 2017.

	Level 1	Level 2	Level 3
	HK$	HK$	HK$
2018			
Financial assets at fair value through other comprehensive income (2017: Available-for-sale financial assets)	19,582,659	–	10,000,000
2017			
Available-for-sale financial assets	23,759,579	–	11,000,000

For the year ended 31st December 2018, there were no transfers of financial assets of the Group between different levels of the fair value hierarchy.

For the year ended 31st December 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

For the year ended 31st December 2018, there were reclassifications of financial assets of the Group after the adoption of HKFRS 9, as set out in note 2.2(c).

3.4 Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements for both years ended 31st December 2018 and 2017.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

Estimates and judgment used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year are discussed below:

(i) Investment properties

The fair values of investment properties are determined by independent valuers on an open market basis with reference to comparable market transactions. In making the judgment, the Group considers information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each end of reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals, expected future market rentals, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market. The valuations are reviewed semi-annually by external valuers.

Should the capitalisation rates or market rates differ by 10%, the fair value gain would be reduced or increased by HK$869,278,000 or HK$910,589,000 (2017: HK$687,946,000 or HK$840,823,000) respectively and the deferred income tax charge thereon would be reduced or increased by HK$24,835,000 or HK$30,353,000 (2017: HK$21,633,000 or HK$26,440,000) respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(ii) Fair value of certain financial assets

The fair value of investments which are not traded in an active market is determined by using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses its judgment to select a variety of methods and make assumptions of fair value and discounted rate that are mainly based on market conditions existing at each end of reporting period.

(iii) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different from previous estimates, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Should the useful lives of the property, plant and equipment be different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK$1,379,000 or HK$1,541,000 (2017: HK$1,378,000 or HK$1,597,000) respectively in the current year.

Should the residual values of the property, plant and equipment be different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK$1,250,000 (2017: HK$1,254,000) respectively in the current year.

(b) Critical judgment in applying the Group's accounting policies

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) Income tax

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

5 REVENUES AND SEGMENT INFORMATION

(a) Revenues recognised during the year are as follows:

	2018	2017
	HK$	HK$
Revenues		
Property rental		
– investment properties	288,663,653	223,724,731
– properties for sale	26,174,343	27,140,589
Revenue from contract with customers (note (i))	37,523,765	32,764,946
	352,361,761	283,630,266

Note:

(i) The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major revenue stream:

	Property related services	Hotel operations	Catering operations	Total
	HK$	HK$	HK$	HK$
Year ended 31st December 2018				
Revenue from contracts with customers	21,527,138	15,996,627	–	37,523,765
Timing of revenue recognition:				
Over time	21,527,138	15,996,627	–	37,523,765
Year ended 31st December 2017				
Revenue from contracts with customers	14,146,795	15,988,128	2,630,023	32,764,946
Timing of revenue recognition:				
At a point in time	–	–	2,630,023	2,630,023
Over time	14,146,795	15,988,128	–	30,134,923
	14,146,795	15,988,128	2,630,023	32,764,946

Property rental and property related services revenue above included amounts of HK$1,279,336 (2017: HK$1,521,136) and HK$528,146 (2017: HK$492,361) respectively from related companies and persons based on prices and terms as agreed by parties involved.

5 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Operating lease arrangement

The Group leases out investment properties and properties for sale under lease terms generally in the range of one to ten years.

At 31st December 2018, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	2018	2017
	HK$	HK$
Not later than one year	298,787,000	233,795,000
Later than one year but not later than five years	588,769,000	420,061,000
Later than five years	247,568,000	300,217,000
	1,135,124,000	954,073,000

(c) The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The CODM considers the business from a geographic perspective and has identified the operating segments of the Group in Hong Kong and North America.

The CODM assesses the performance of the operating segments based on their underlying profit, which is measured by profit after income tax excluding fair value changes on investment properties (net of deferred income tax in the United States), and their segment assets and segment liabilities which is measured in a manner consistent with that in the financial statements.

There are no sales between the operating segments.

5 REVENUES AND SEGMENT INFORMATION (Continued)

(d) Operating segments

	Hong Kong	North America	Total
	HK$	HK$	HK$
For the year ended 31st December 2018			
Segment revenues			
Property rental	245,909,848	68,928,148	314,837,996
Property related services	21,527,138	–	21,527,138
Hotel operations	15,996,627	–	15,996,627
Total segment revenues	283,433,613	68,928,148	352,361,761
Segment results – underlying profit			
– Property rental and related services	58,311,761	21,804,669	80,116,430
– Hotel operations	2,442,244	–	2,442,244
Fair value gains on investment properties	357,968,864	108,284,288	466,253,152
Deferred income tax, net	–	(37,118,328)	(37,118,328)
Profit for the year	418,722,869	92,970,629	511,693,498
Included in segment results:			
Finance income	76,700	234,967	311,667
Finance costs	(33,575,626)	(4,908,645)	(38,484,271)
Income tax expense (note)	(17,507,500)	(13,260)	(17,520,760)
Depreciation	(14,854,672)	(3,164,945)	(18,019,617)
Capital expenditure	402,784,474	11,855,230	414,639,704
At 31st December 2018			
Property, plant and equipment	1,677,935,029	16,035,375	1,693,970,404
Investment properties	7,242,650,000	915,486,000	8,158,136,000
Non-current assets (excluding financial assets at fair value through other comprehensive income)	8,920,585,029	931,521,375	9,852,106,404
Non-current financial assets at fair value through other comprehensive income	29,582,659	–	29,582,659
Current assets	174,666,181	42,286,819	216,953,000
Segment assets	9,124,833,869	973,808,194	10,098,642,063
Current liabilities	1,462,603,920	17,319,502	1,479,923,422
Non-current liabilities	489,878,937	301,018,430	790,897,367
Segment liabilities	1,952,482,857	318,337,932	2,270,820,789

5 REVENUES AND SEGMENT INFORMATION (Continued)

(d) Operating segments (Continued)

	Hong Kong	North America	Total
	HK$	HK$	HK$
For the year ended 31st December 2017			
Segment revenues			
Property rental	195,208,193	55,657,127	250,865,320
Property related services	14,146,795	–	14,146,795
Hotel operations	15,988,128	–	15,988,128
Catering operations	2,630,023	–	2,630,023
Total segment revenues	227,973,139	55,657,127	283,630,266
Segment results – underlying profit			
– Property rental and related services	34,273,657	12,473,072	46,746,729
– Hotel operations	1,729,260	–	1,729,260
– Catering operations	(4,586,435)	–	(4,586,435)
Fair value gains/(losses) on investment properties	421,316,881	(30,164,738)	391,152,143
Deferred income tax credit, net	–	82,451,566	82,451,566
Profit for the year	452,733,363	64,759,900	517,493,263
Included in segment results:			
Finance income	7,788	86,634	94,422
Finance costs	(21,812,703)	(3,810,011)	(25,622,714)
Income tax expense (note)	(7,894,401)	(14,318)	(7,908,719)
Depreciation	(15,323,233)	(2,514,509)	(17,837,742)
Capital expenditure	336,654,162	31,022,768	367,676,930
At 31st December 2017			
Property, plant and equipment	1,412,006,539	17,090,400	1,429,096,939
Investment properties	6,769,250,000	797,456,400	7,566,706,400
Non-current assets (excluding available-for-sale financial assets)	8,181,256,539	814,546,800	8,995,803,339
Non-current available-for-sale financial assets	34,759,579	–	34,759,579
Current assets	163,418,371	31,709,979	195,128,350
Segment assets	8,379,434,489	846,256,779	9,225,691,268
Current liabilities	849,673,464	18,014,989	867,688,453
Non-current liabilities	716,374,174	265,742,147	982,116,321
Segment liabilities	1,566,047,638	283,757,136	1,849,804,774

Note: The amount excludes net deferred income tax of North America segment.

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Property under development	Total
	HK$	HK$	HK$	HK$
Cost				
At 1st January 2018	762,983,827	82,038,700	671,744,809	1,516,767,336
Additions	–	4,618,522	284,844,734	289,463,256
Disposals and write-off	–	(1,034,708)	–	(1,034,708)
Transfer to properties for sale	(9,411,999)	–	–	(9,411,999)
At 31st December 2018	753,571,828	85,622,514	956,589,543	1,795,783,885
Accumulated depreciation				
At 1st January 2018	39,719,825	47,950,572	–	87,670,397
Depreciation charge	9,882,274	8,137,343	–	18,019,617
Disposals and write-off	–	(825,368)	–	(825,368)
Transfer to properties for sale	(3,051,165)	–	–	(3,051,165)
At 31st December 2018	46,550,934	55,262,547	–	101,813,481
Net book value				
At 31st December 2018	707,020,894	30,359,967	956,589,543	1,693,970,404
Cost				
At 1st January 2017	762,517,705	70,635,843	583,142,094	1,416,295,642
Additions	466,122	21,199,836	88,602,715	110,268,673
Disposals and write-off	–	(9,796,979)	–	(9,796,979)
At 31st December 2017	762,983,827	82,038,700	671,744,809	1,516,767,336
Accumulated depreciation				
At 1st January 2017	29,829,689	46,930,952	–	76,760,641
Depreciation charge	9,890,136	7,947,606	–	17,837,742
Disposals and write-off	–	(6,927,986)	–	(6,927,986)
At 31st December 2017	39,719,825	47,950,572	–	87,670,397
Net book value				
At 31st December 2017	723,264,002	34,088,128	671,744,809	1,429,096,939

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The Group's freehold land and building located in the US with net book value of HK$7,722,000 (2017: HK$8,394,750) together with an investment property located in the US (note 7(a)) have been pledged to a financial institution to secure a credit facility of the Group in the US totalling HK$141,906,336 (2017: HK$143,748,384) of which HK$126,306,336 (2017: HK$128,148,384) was utilised as at 31st December 2018.

(b) The Group's property under development located in Hong Kong with net book value of HK$956,589,543 (2017: HK$671,744,809) has been pledged to a financial institution to secure a credit facility of the Group in Hong Kong of HK$1,192,000,000 (2017: HK$1,192,000,000) of which HK$629,150,000 (2017: HK$357,500,000) was utilised as at 31st December 2018.

(c) The Group's property under development included additions of HK$24,893,868 (2017: HK$13,185,724) (note 21) being interest expenses with an effective interest rate per annum at the end of reporting period of 4.52% (2017: 3.49%) capitalised for the development project.

7 INVESTMENT PROPERTIES

	2018	2017
	HK$	HK$
At 1st January	7,566,706,400	6,918,146,000
Additions	125,176,448	257,408,257
Fair value gains	466,253,152	391,152,143
At 31st December (note)	8,158,136,000	7,566,706,400

Note: As at 31st December 2018, the fair value of the investment property under development is HK$940,000,000 (2017: HK$920,000,000).

All the investment properties of the Group measured at fair value are categorised as Level 3 in the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfer between Levels 1, 2 and 3 during the year.

7 INVESTMENT PROPERTIES (Continued)

Fair value measurement using significant unobservable inputs

	Hong Kong			North America	
	Industrial properties	Commercial properties	Residential properties	Commercial property	Total
	HK$	HK$	HK$	HK$	HK$
At 1st January 2018	3,945,500,000	740,900,000	2,082,850,000	797,456,400	7,566,706,400
Additions	109,730,877	833,253	4,867,006	9,745,312	125,176,448
Fair value gains	259,369,123	22,566,747	76,032,994	108,284,288	466,253,152
At 31st December 2018	4,314,600,000	764,300,000	2,163,750,000	915,486,000	8,158,136,000
At 1st January 2017	3,434,700,000	743,500,000	1,937,950,000	801,996,000	6,918,146,000
Additions	226,034,647	408,472	5,340,000	25,625,138	257,408,257
Fair value gains/(losses)	284,765,353	(3,008,472)	139,560,000	(30,164,738)	391,152,143
At 31st December 2017	3,945,500,000	740,900,000	2,082,850,000	797,456,400	7,566,706,400

Valuation processes

The Group measures its investment properties at fair value. As at 31st December 2018, the fair value of the investment properties of the Group in Hong Kong were revalued by A A Property Services Limited and the Group's North America investment property was revalued by Martorana Bohegian & Company. They are independent qualified valuers not related to the Group, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued.

The Group assigns a team to review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the assigned team:

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

7 INVESTMENT PROPERTIES (Continued)

Valuation techniques

For completed properties, the income capitalisation method and direct comparison method were used. For income capitalisation method, the valuers apply assumptions for capitalisation rates and notional income, which are influenced by the prevailing market yields and comparable market transactions, as well as discount rate, to arrive at the final valuation. For direct comparison method, the valuers apply assumption for the current prices in an active market, which are influenced by the different nature, condition or location, to arrive at the final valuation.

For properties under development, the residual method is used, whereby the valuation is derived from the gross development value of the project upon completion (estimated using a direct comparison method) less estimated development costs and allowance for developer's profit.

There were no changes to the valuation techniques during the year.

Significant unobservable inputs used to determine fair value

The valuation determined using the direct comparison method by A A Property Services Limited, sales price of comparable properties in close proximity and adjusted for differences in key attributes such as property size and location. The most significant unobservable input into this valuation method is the price adjustment per square foot.

Capitalisation rates are estimated by A A Property Services Limited and Martorana Bohegian & Company based on the risk profile of the properties being valued in Hong Kong and North America respectively. The higher the rates, the lower the fair value. At 31st December 2018, capitalisation rates ranged from 1.9% to 4.8% (2017: 2.0% to 4.5%) and 4.75% (2017: 5%) are used in the income capitalisation method for completed properties in Hong Kong and North America respectively and capitalisation rate of 5% (2017: 5%) is used in the residual value method for investment property under development in Hong Kong.

Notes:

(a) The Group's investment property located in the US with a net book value of HK$915,486,000 (2017: HK$797,456,400) together with the freehold land and building located in the US have been pledged to a financial institution to secure a credit facility of the Group in the US (note 6(a)).

Certain of the Group's investment properties located in Hong Kong with an aggregate net book value of HK$4,611,000,000 (2017: HK$4,257,000,000) have been pledged to financial institutions to secure credit facilities of the Group in Hong Kong totalling HK$1,110,000,000 (2017: HK$1,090,000,000) of which HK$990,688,452 (2017: HK$847,000,000) were utilised as at 31st December 2018.

(b) Additions during the year included an amount of HK$Nil (2017: HK$2,403,754) (note 21) being interest expenses with an effective interest rate per annum at the year end (not applicable) (2017: in the range of 3.19% to 3.37%) capitalised for the improvement works of the investment property.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Equity investments at fair value through other comprehensive income

	2018	2017
	HK$	HK$
At 1st January	34,759,579	–
Net fair value loss charged to equity	(5,164,976)	–
Disposals	(11,944)	–
At 31st December	29,582,659	–

Financial assets at FVOCI include the following:

	2018	2017
Listed equity securities in Hong Kong (note (a))	19,582,659	–
Unlisted equity securities (note (b))	10,000,000	–
	29,582,659	–

Notes:

(a) Listed equity securities in Hong Kong, which were denominated in Hong Kong dollar, mainly represented securities listed in the Main Board of The Stock Exchange of Hong Kong Limited, which included conglomerates that are also engaged in property development and utility businesses.

(b) Unlisted equity securities were denominated in Hong Kong dollar, represented approximately 12% equity interests each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited, and Yangtze China Investment Limited. The underlying investments of these entities comprise companies engaged in Chinese medical products and environmental friendly product in China, and a provider of expansion capital to China-based enterprises.

On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings.

In the prior financial year, the group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

Note 2.2(c) explains the change of accounting policy and the reclassification of certain equity investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income. Note 2.9 sets out the remaining accounting policies.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(ii) Financial assets previously classified as available-for-sale financial assets (2017)

	2018	2017
	HK$	HK$
At 1st January	–	51,373,507
Net fair value gains credited to equity	–	1,513,638
Disposals	–	(18,127,566)
At 31st December	–	34,759,579

Available-for-sale financial assets include the following:

	2018	2017
Listed equity securities in Hong Kong (note (a))	–	23,743,589
Listed equity securities in overseas (note (b))	–	15,990
Unlisted equity securities (note (c))	–	11,000,000
	–	34,759,579

Notes:

(a) Listed equity securities in Hong Kong, which were denominated in Hong Kong dollar, mainly represented securities listed in the Main Board of The Stock Exchange of Hong Kong Limited, which included conglomerates that are also engaged in property development and utility businesses.

(b) Listed equity securities in overseas, which were denominated in US dollar, represented a publicly traded container port business trust, an equity investment listed in the Singapore Exchange.

(c) Unlisted equity securities were denominated in Hong Kong dollar, represented approximately 12% equity interests each in The Yangtze Ventures Limited, The Yangtze Ventures II Limited, and Yangtze China Investment Limited. The underlying investments of these entities comprise companies engaged in Chinese medical products and environmental friendly product in China, and a provider of expansion capital to China-based enterprises.

9 PROPERTIES FOR SALE

The Group's interests in properties for sale at their net book values are analysed as follows:

	2018	2017
	HK$	HK$
Leasehold land	12,063,340	12,063,340
Development expenditures	97,533,048	89,676,784
	109,596,388	101,740,124

10 DEBTORS AND PREPAYMENTS

	2018	2017
	HK$	HK$
Trade debtors (note (a))	499,249	690,521
Prepayments, deposits and other debtors (note (b))	44,827,716	41,047,042
	45,326,965	41,737,563

Notes:

(a) The trade debtors represent rental and management fee receivables. The Group normally does not grant credit period to rental receivables, and grants 30 days credit period to management fee receivables.

At 31st December 2018, the ageing analysis of the trade debtors based on invoice date were as follows:

	2018	2017
	HK$	HK$
0 – 30 days	426,249	690,521
31 – 60 days	73,000	–
	499,249	690,521

At 31st December 2018, trade debtors of HK$15,338 (2017: HK$8,781) were fully performing. Trade debtors of HK$483,911 (2017: HK$681,740) were past due but not impaired and its due date analysis was as follows:

	2018	2017
	HK$	HK$
0 – 30 days	410,911	681,740
31 – 60 days	73,000	–
	483,911	681,740

At 31st December 2018 and 2017, no impairment provision was made on the trade debtors. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 2.9(iv).

(b) The prepayments, deposits and other debtors represent utilities deposits, and other prepayments, deposits and receivables.

(c) The carrying amounts of debtors and prepayments approximated their fair values as at 31st December 2018 and 2017.

11 CASH AND CASH EQUIVALENTS

	2018	2017
	HK$	HK$
Bank balances and cash	61,935,771	51,509,824

12 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares	Share capital
		HK$
At 1st January 2018 and 31st December 2018	287,669,676	417,321,278
At 1st January 2017 and 31st December 2017	287,669,676	417,321,278

13 RESERVES

	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK$	HK$	HK$	HK$	HK$
At 1st January 2018	549,850,101	12,730,402	7,232,063	6,177,740,014	6,747,552,580
Adoption of HKFRS 9	–	(28,001,188)	–	28,001,188	–
Restated total equity at 1st January 2018	549,850,101	(15,270,786)	7,232,063	6,205,741,202	6,747,552,580
Comprehensive income					
Profit for the year	–	–	–	492,802,815	492,802,815
Other comprehensive income					
Net fair value loss on financial assets at fair value through other comprehensive income	–	(3,283,617)	–	–	(3,283,617)
Transfer of loss on disposal of equity investment at fair value through other comprehensive income to retained profits	–	15,923	–	(15,923)	–
Total comprehensive income for the year	–	(3,267,694)	–	492,786,892	489,519,198
Transaction with owners					
Dividends paid					
2017 final dividend (note 24)	–	–	–	(23,013,574)	(23,013,574)
2018 interim dividend (note 24)	–	–	–	(28,766,968)	(28,766,968)
At 31st December 2018	549,850,101	(18,538,480)	7,232,063	6,646,747,552	7,185,291,236
Representing:					
Reserves	549,850,101	(18,538,480)	7,232,063	6,612,227,191	7,150,770,875
2018 final dividend proposed (note 24)	–	–	–	34,520,361	34,520,361
	549,850,101	(18,538,480)	7,232,063	6,646,747,552	7,185,291,236

13 RESERVES (Continued)

	Property revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK$	HK$	HK$	HK$	HK$
At 1st January 2017	549,850,101	16,160,191	7,233,751	5,715,958,713	6,289,202,756
Comprehensive income					
Profit for the year	–	–	–	502,055,056	502,055,056
Other comprehensive income					
Net fair value gain on available-for-sale financial assets	–	1,342,994	–	–	1,342,994
Recycle to profit or loss upon disposal of available-for-sale financial assets	–	(4,772,783)	–	–	(4,772,783)
Exchange translation difference	–	–	(1,688)	–	(1,688)
Total comprehensive income for the year	–	(3,429,789)	(1,688)	502,055,056	498,623,579
Transaction with owners					
Dividends paid					
2016 final dividend	–	–	–	(17,260,181)	(17,260,181)
2017 interim dividend (note 24)	–	–	–	(23,013,574)	(23,013,574)
At 31st December 2017	549,850,101	12,730,402	7,232,063	6,177,740,014	6,747,552,580
Representing:					
Reserves	549,850,101	12,730,402	7,232,063	6,154,726,440	6,724,539,006
2017 final dividend proposed (note 24)	–	–	–	23,013,574	23,013,574
	549,850,101	12,730,402	7,232,063	6,177,740,014	6,747,552,580

14 LONG TERM BANK LOANS – SECURED

	2018	2017
	HK$	HK$
Bank loans		
– wholly repayable within five years	1,459,355,452	1,118,342,884
Amounts due within one year included under current liabilities	(967,347,859)	(384,132,849)
	492,007,593	734,210,035

14 LONG TERM BANK LOANS – SECURED (Continued)

The maturity of the long term bank loans is as follows:

	2018	2017
	HK$	HK$
– within one year	967,347,859	384,132,849
– in the second year	492,007,593	334,572,334
– in the third to fifth year	–	399,637,701
	1,459,355,452	1,118,342,884

The effective interest rates per annum at the end of reporting period were as follows:

	2018	2017
HK dollar bank loans	4.24%-4.52%	3.13%-3.49%
US dollar bank loan	3.55%	3.14%

The exposure to the long term bank loans to interest rate changes and the contractual repricing dates are as follows:

	2018	2017
	HK$	HK$
1 month or less	1,459,355,452	127,856,508
1 to 3 months	–	990,486,376
	1,459,355,452	1,118,342,884

The carrying amounts of the long term bank loans approximated their fair values as at 31st December 2018 and 2017. The fair values are based on cash flows discounted using a rate based on the borrowing rate in the range of 4.24% to 4.52% (2017: 3.13% to 3.49%) per annum.

The carrying amounts of the long term bank loans are denominated in the following currencies:

	2018	2017
	HK$	HK$
HK dollar	1,333,224,457	990,486,376
US dollar	126,130,995	127,856,508
	1,459,355,452	1,118,342,884

The long term bank loans are secured by the freehold land and building in the US (note 6(a)), the property under development (note 6(b)) and investment properties in the US and certain investment properties in Hong Kong (note 7(a)) and the rental income thereon.

15 DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	2018	2017
	HK$	HK$
Deferred income tax liabilities		
– to be settled after more than 12 months	298,889,774	247,906,286

The movements on the net deferred tax liabilities are as follows:

	2018	2017
	HK$	HK$
At 1st January	247,906,286	326,183,137
Charged/(credited) to consolidated statement of profit or loss	50,983,488	(78,276,851)
At 31st December	298,889,774	247,906,286

At 31st December 2018, the Company and its subsidiaries in Hong Kong had unrecognised tax losses in total of HK$287,154,000 (2017: HK$249,235,000) to carry forward against future taxable income. Such tax losses have no expiry date.

The movements in deferred income tax assets/(liabilities) (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Tax losses	
	2018	2017
	HK$	HK$
At 1st January	70,875,040	87,333,874
Charged to consolidated statement of profit or loss	(2,814,871)	(16,458,834)
At 31st December	68,060,169	70,875,040

	Revaluation of properties		**Accelerated tax depreciation**	
	2018	2017	2018	2017
	HK$	HK$	HK$	HK$
At 1st January	(137,512,116)	(208,528,440)	(181,269,210)	(204,988,571)
(Charged)/credited to consolidated statement of profit or loss	(28,276,836)	71,016,324	(19,891,781)	23,719,361
At 31st December	(165,788,952)	(137,512,116)	(201,160,991)	(181,269,210)

16 CREDITORS AND ACCRUALS

	2018	2017
	HK$	HK$
Trade creditors	6,316,767	6,941,430
Other creditors	9,939,289	13,412,381
Accruals	19,487,586	29,581,830
	35,743,642	49,935,641

At 31st December 2018, the ageing analysis of the trade creditors was as follows:

	2018	2017
	HK$	HK$
0 – 30 days	6,048,591	6,896,346
31 – 60 days	258,152	3,642
61 – 90 days	–	2,016
Over 90 days	10,024	39,426
	6,316,767	6,941,430

The carrying amounts of creditors and accruals approximated their fair values as at 31st December 2018 and 2017.

17 SHORT TERM BANK LOANS AND BANK OVERDRAFTS

	2018	2017
	HK$	HK$
Short term bank loans		
– secured	277,000,000	211,000,000
– unsecured	104,991,250	134,991,250
	381,991,250	345,991,250
Bank overdrafts – secured	7,688,452	–

The effective interest rates per annum at the end of reporting period were as follows:

	2018	2017
Short term bank loans	3.82%-4.44%	2.58%-3.6%
Bank overdrafts	5.13%	–

17 SHORT TERM BANK LOANS AND BANK OVERDRAFTS (Continued)

The exposure to the short term bank loans to interest rate changes and the contractual repricing dates are as follows:

	2018	2017
	HK$	HK$
1 month or less	381,991,250	100,000,000
1 to 3 months	–	245,991,250
	381,991,250	345,991,250

The carrying amounts of the short term bank loans and bank overdrafts approximated their fair values as at 31st December 2018 and 2017.

Certain short term bank loans and bank overdrafts are secured by certain investment properties (note 7(a)) in Hong Kong and the rental income thereon. All the short term bank loans are denominated in Hong Kong dollar.

18 COST AND EXPENSES

	2018	2017
	HK$	HK$
Auditors' remuneration		
– audit services	2,757,700	2,659,887
– non-audit services	653,800	597,633
Bad debts	151,772	–
Depreciation	18,019,617	17,837,742
Outgoings in respect of		
– investment properties	47,336,826	46,716,175
– properties for sale	8,584,156	7,518,445
– property related services (note (a))	18,866,543	13,817,896
– property, plant and equipment	2,526,404	2,421,904
– hotel operations (note (a))	10,119,992	10,688,542
– catering operations (note (a))	–	7,105,996
Operating lease rental for office premises to a related company (note (b))	4,488,000	3,803,484
Other employee benefit expense (note 20)	68,867,198	72,035,232
Others	34,986,284	31,409,675
Total cost of sales, administrative expenses and other operating expenses	217,358,292	216,612,611

Note:

(a) The employee benefit expense included in outgoings in respect of property related services was HK$2,936,134 (2017: HK$876,620), hotel operations was HK$4,656,016 (2017: HK$4,414,961) and catering operations was HK$Nil (2017: HK$5,381,275) (note 20).

(b) The transaction was entered with a company with common key management personnel and based on prices and terms as agreed between the parties involved.

19 OTHER GAINS, NET

	2018	2017
	HK$	HK$
Dividend income from financial assets at fair value through other comprehensive income/available-for-sale financial assets	3,432,909	5,742,769
Loss on disposal of property, plant and equipment, net	(184,340)	(206,642)
Gain on disposal of available-for-sale financial assets	–	4,772,783
	3,248,569	10,308,910

20 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2018	2017
	HK$	HK$
Salaries	57,963,025	63,154,223
Housing and other allowances, benefits in kind	15,650,871	17,089,237
Bonuses	9,472,928	10,885,627
Retirement benefit costs	3,557,078	1,651,801
	86,643,902	92,780,888
Less: Intra-group rental expenses	(10,184,554)	(10,072,800)
	76,459,348	82,708,088

(a) Pensions – defined contribution plans

There was no forfeited contribution as at 31st December 2018 (2017: Nil). No forfeited contribution was utilised during the year (2017: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2017: four) directors whose emoluments are reflected in note 29(a). The emoluments payable to the remaining one (2017: one) individual during the year are as follows:

	2018	2017
	HK$	HK$
Salaries	1,896,720	4,775,844
Housing and other allowances, benefits in kind	–	1,536,000
Bonuses	316,120	1,614,176
Retirement benefit costs	18,000	18,000
	2,230,840	7,944,020

20 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell with the following bands:

	Number of individuals 2018	Number of individuals 2017
Emolument bands (in HK$)		
HK$2,000,001-HK$3,000,000	1	–
HK$7,000,001-HK$8,000,000	–	1

During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

(c) Key management remuneration

Remuneration for key management, including amounts paid to the Company's executive directors and chief executive, as disclosed in note 29(a), and two (2017: two), senior management and other member is as follows:

	2018	2017
	HK$	HK$
Fees	104,000	100,000
Salaries	18,508,200	19,984,405
Housing and other allowances, benefits in kind	13,958,871	14,759,635
Bonuses	4,471,460	4,642,624
Retirement benefit costs	223,141	222,211
	37,265,672	39,708,875

21 FINANCE INCOME AND COSTS

	2018	2017
	HK$	HK$
Finance income		
Interest income from banks	311,667	94,422
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	(63,378,139)	(41,212,192)
Less: Amount capitalised in property under development and investment property (note 6(c) and note 7(b))	24,893,868	15,589,478
	(38,484,271)	(25,622,714)
Finance costs, net	(38,172,604)	(25,528,292)

22 INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Except for the minimum United States state tax which has been paid during the year, no overseas taxation (2017: HK$Nil) has been provided as there is no estimated taxable profit for the overseas subsidiaries for the year.

The amount of income tax (charged)/credited to the consolidated statement of profit or loss represents:

	2018	2017
	HK$	HK$
Current income tax		
– Hong Kong profits tax	(4,106,755)	(4,019,190)
– Overseas taxation	(13,260)	(14,318)
	(4,120,015)	(4,033,508)
Deferred income tax (expense)/credit	(50,983,488)	78,276,851
	(55,103,503)	74,243,343
Over provisions in prior year from current income tax	464,415	299,504
	(54,639,088)	74,542,847

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong where the Company operates and the difference is set out as follows:

	2018	2017
	HK$	HK$
Profit before income tax	566,332,586	442,950,416
Calculated at a taxation rate of 16.5% (2017: 16.5%)	(93,444,877)	(73,086,819)
Income not subject to tax	59,641,790	71,073,509
Expenses not deductible for tax purposes	(835,340)	(887,086)
Effect of different taxation rates in other countries	(17,355,630)	73,923,575
Over provision in prior year	464,415	299,504
Others	(3,109,446)	3,220,164
Income tax (expense)/credit	(54,639,088)	74,542,847

There was no income tax relating to components of other comprehensive income for the year ended 31st December 2018 and 2017.

23 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to owners of the Company of HK$492,802,815 (2017: HK$502,055,056) and on 287,669,676 (2017: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2018 and 2017, the diluted earnings per share is equal to the basic earnings per share.

24 DIVIDENDS

The interim dividends paid in 2018 and 2017 were HK$28,766,968 (HK10 cents per share) and HK$23,013,574 (HK8 cents per share) respectively. At a meeting held on 22nd March 2019, the directors proposed a final dividend of HK12 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2019 upon the approval by the Company's shareholders.

	2018	2017
	HK$	HK$
Interim, paid, of HK10 cents (2017: HK8 cents) per ordinary share	28,766,968	23,013,574
Final, proposed, of HK12 cents (2017: HK8 cents) per ordinary share	34,520,361	23,013,574
	63,287,329	46,027,148

25 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	2018	2017
	HK$	HK$
Profit before income tax	566,332,586	442,950,416
Finance income	(311,667)	(94,422)
Finance costs	38,484,271	25,622,714
Depreciation	18,019,617	17,837,742
Bad debts	151,772	–
Fair value gains on investment properties	(466,253,152)	(391,152,143)
Loss on disposal of property, plant and equipment, net	184,340	206,642
Gain on disposal of available-for-sale financial assets	–	(4,772,783)
Dividend income	(3,432,909)	(5,742,769)
Operating profit before working capital changes	153,174,858	84,855,397
Increase in properties for sale	(1,495,430)	–
Decrease/(increase) in inventory	49,913	(18,197)
Increase in debtors and prepayments	(4,321,065)	(23,412,491)
(Decrease)/increase in rental and other deposits	(1,019,372)	12,209,578
Increase/(decrease) in creditors and accruals	744,350	(3,515,024)
Net cash generated from operations	147,133,254	70,119,263

25 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Bank loans reconciliation

During the year, movement of bank loans represented net cash inflow of HK$375,807,955 (2017: HK$323,457,948) and bank loan origination charges amortised of HK$1,204,613 (2017: HK$2,613,617).

26 FINANCIAL GUARANTEES

At 31st December 2018, the Company had provided guarantees to bankers for credit facilities granted to subsidiaries of which HK$1,654,838,452 (2017: HK$1,239,500,000) were utilised as at 31st December 2018.

27 COMMITMENTS

(a) Capital commitments

At 31st December 2018, the Group had capital commitments as follows:

	2018	2017
	HK$	HK$
Contracted but not provided for		
– investment properties	66,352,000	129,851,000
– investment property under development	5,366,000	5,998,000
– property, plant and equipment	3,010,000	90,000
– property under development	217,160,000	462,012,000
	291,888,000	597,951,000

(b) Commitments under operating leases

At 31st December 2018, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	HK$	HK$
Land and buildings		
Not later than one year	825,000	3,960,000
Later than one year but not later than five years	–	825,000
	825,000	4,785,000

28 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company as at 31st December 2018

	2018	2017
	HK$	HK$
Non-current assets		
Property, plant and equipment	945,396	1,361,278
Investment properties	587,000,000	580,000,000
Subsidiaries	503,567,449	502,268,200
	1,091,512,845	1,083,629,478
Current assets		
Debtors and prepayments	4,311,784	4,614,041
Amounts due from subsidiaries	655,535,172	645,738,543
Cash and cash equivalents	4,831,347	6,380,269
	664,678,303	656,732,853
Total assets	1,756,191,148	1,740,362,331
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	417,321,278	417,321,278
Reserves (note (a))	1,075,522,907	1,064,125,692
Total equity	1,492,844,185	1,481,446,970
Current liabilities		
Rental and other deposits	3,566,200	3,843,400
Creditors and accruals	5,318,801	5,688,258
Short term bank loan	70,000,000	100,000,000
Amounts due to subsidiaries	184,461,962	149,383,703
	263,346,963	258,915,361
Total equity and liabilities	1,756,191,148	1,740,362,331

The statement of financial position of the Company was approved by the board of directors on 22nd March 2019 and were signed on its behalf.

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

28 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

Note (a): Reserves movement of the Company

	Investment revaluation reserve	Retained profits	Total
	HK$	HK$	HK$
At 1st January 2018	–	1,064,125,692	1,064,125,692
Total comprehensive income for the year			
Profit for the year	–	63,177,757	63,177,757
Transaction with owners			
Dividends paid			
2017 final dividend (note 24)	–	(23,013,574)	(23,013,574)
2018 interim dividend (note 24)	–	(28,766,968)	(28,766,968)
At 31st December 2018	–	1,075,522,907	1,075,522,907
Representing:			
Reserves	–	1,041,002,546	1,041,002,546
2018 final dividend proposed (note 24)	–	34,520,361	34,520,361
	–	1,075,522,907	1,075,522,907

28 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (Continued)

Note (a): Reserves movement of the Company (Continued)

	Investment revaluation reserve	Retained profits	Total
	HK$	HK$	HK$
At 1st January 2017	157,207	1,087,245,951	1,087,403,158
Comprehensive income			
Profit for the year	–	17,153,496	17,153,496
Other comprehensive income			
Fair value gain on available-for-sale financial asset	7,245	–	7,245
Recycle to profit or loss upon disposal of available-for-sale financial assets	(164,452)	–	(164,452)
Total comprehensive income for the year	(157,207)	17,153,496	16,996,289
Transaction with owners			
Dividends paid			
2016 final dividend	–	(17,260,181)	(17,260,181)
2017 interim dividend (note 24)	–	(23,013,574)	(23,013,574)
At 31st December 2017	–	1,064,125,692	1,064,125,692
Representing:			
Reserves	–	1,041,112,118	1,041,112,118
2017 final dividend proposed (note 24)	–	23,013,574	23,013,574
	–	1,064,125,692	1,064,125,692

29 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31st December 2018

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking					
	Fees	Salaries	Discretionary bonuses	Housing and other allowances, benefit in kind	Employer's contribution to a retirement benefit scheme	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Name of director						
William Ma Ching Wai (Chief Executive)	24,000	5,552,640	2,313,600	10,978,871	18,000	18,887,111
Patrick Ma Ching Hang	20,000	1,896,720	316,120	–	18,000	2,250,840
Alfred Ma Ching Kuen	20,000	953,040	158,840	–	18,000	1,149,880
Amy Ma Ching Sau	20,000	2,095,560	449,260	600,000	18,000	3,182,820
Philip Ma Ching Yeung	20,000	3,000,000	500,000	2,380,000	18,000	5,918,000
Edward Cheung Wing Yui	165,000	–	–	–	–	165,000
Kevin Chau Kwok Fun	165,000	–	–	–	–	165,000
Tan Soo Kiu	165,000	–	–	–	–	165,000
Yiu Kei Chung	165,000	–	–	–	–	165,000
	764,000	13,497,960	3,737,820	13,958,871	90,000	32,048,651

29 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31st December 2017

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking					
	Fees	Salaries	Discretionary bonuses	Housing and other allowances, benefit in kind	Employer's contribution to a retirement benefit scheme	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Name of director						
William Ma Ching Wai*	24,000	5,390,880	2,246,200	11,451,637	18,000	19,130,717
Patrick Ma Ching Hang	19,000	1,841,400	306,900	–	18,000	2,185,300
Alfred Ma Ching Kuen	19,000	925,200	154,200	–	18,000	1,116,400
Amy Ma Ching Sau	19,000	2,016,960	436,160	600,000	18,000	3,090,120
Philip Ma Ching Yeung	19,000	2,400,000	400,000	2,004,000	18,000	4,841,000
Edward Cheung Wing Yui	160,000	–	–	–	–	160,000
Kevin Chau Kwok Fun	160,000	–	–	–	–	160,000
Tan Soo Kiu	160,000	–	–	–	–	160,000
Yiu Kei Chung	160,000	–	–	–	–	160,000
	740,000	12,574,440	3,543,460	14,055,637	90,000	31,003,537
Name of chief executive						
Ted Mok Tak Hung*	–	2,510,365	415,164	704,000	8,250	3,637,779

* Mr William Ma Ching Wai was appointed the Chief Executive of the Company on 15th June 2017, upon the retirement of Mr Ted Mok Tak Hung.

29 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits

No retirement benefits are paid to or receivable by the directors during the year ended 31st December 2018 (2017: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the financial year (2017: Nil).

(d) Consideration provided to third parties for making available directors' services

During the financial year ended 31st December 2018, the Company does not pay consideration to any third parties for making available directors' services (2017: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31st December 2018, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: Nil).

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

Except for the following transaction, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

On 10th April 2017, a tenancy agreement was entered into between Tai Sang Bank Limited ("TSB") as landlord and the Company as tenant for the renewal of the leases of the office premises. TSB is an associate of Kam Chan & Company, Limited, a company of which, Mr. William Ma Ching Wai is a substantial shareholder, is indirectly interested in more than 30% of the total number of issued shares of TSB. The amount paid by the Company to TSB under the tenancy agreement for the year ended 31st December 2018 was HK$4,488,000 (2017: HK$3,803,484).

The above transaction is also set out in the section headed "Continuing Connected Transaction" on pages 12 to 13 of this annual report.

30 PRINCIPAL SUBSIDIARIES

At 31st December 2018, the Company had the following principal subsidiaries which, in the opinion of the directors, materially affect the results and/or assets of the Group. Montgomery Lands, Incorporated, Central Financial Management Company Inc. and Central Financial Management of Montana LLC are incorporated and operate in the United States of America. All other subsidiaries are incorporated and operate in Hong Kong.

Name	Percentage of issued shares held By the Company 2018	By the Company 2017	By subsidiary company 2018	By subsidiary company 2017	Issued ordinary shares	Principal activities
Ballington Limited	100	100	–	–	1,000 shares	e, g
Cambella Limited	100	100	–	–	1,000 shares	b
Capital Gold Investment Limited	–	–	100	100	1 share	g
Central Financial Management Company Inc.	–	–	100	100	10,000 shares of US$1 each	i
Central Financial Management of Montana LLC	–	–	100	100	N/A	j
Chi Ho Investment Company Limited	100	100	–	–	100 shares	a, g
East Gold Investment Limited	–	–	100	100	1 share	g
Etrema Company Limited	100	100	–	–	1,000 shares	a
Glory Gold investment Limited	–	–	100	100	1 share	g
Gold Earth Investment Limited	–	–	100	100	1 share	g
Gold Express Investment Limited	–	–	100	100	1 share	g
Golden Ocean Corporation Limited	100	100	–	–	531,510 shares	a, g
Kam Cheung Investment Company Limited	75	75	–	–	1,200,000 shares	a
Kam Chung Industrial Company, Limited	100	100	–	–	1,149,430 shares	g
Kam Hang Company Limited	95	95	–	–	5,000 shares	a
Kam Yiu Company Limited	100	100	–	–	73,000 shares	b
La Bizplace Limited	100	100	–	–	2 shares	i, h
Montgomery Enterprises Limited	100	100	–	–	1,190,840 shares	a, e, g, k
Montgomery Lands, Incorporated	–	–	100	100	20,000 shares of US$1 each	a, e
Ocean Gold Investment Limited	–	–	100	100	1 share	g
On Ah Enterprises, Limited	65	65	–	–	100,000 shares	a
Pentacontinental Land Investment Company Limited	53.6	53.6	–	–	2,000,000 shares	a, e
Satvision Limited	100	100	–	–	1,000 shares	a, g
Silver Focus Investment Limited	–	–	100	100	1,000 shares	e, g
Silver Grand Investment Limited	–	–	100	100	1,000 shares	g
Tai Fung Investment Company Limited	65	65	–	–	1,400,000 shares	a
Tai Land Finance Company Limited	100	100	–	–	100,000 shares	c

30 PRINCIPAL SUBSIDIARIES (Continued)

Name	Percentage of issued shares held By the Company 2018	By the Company 2017	By subsidiary company 2018	By subsidiary company 2017	Issued ordinary shares	Principal activities
Tai Sang Cold Storage & Godown Company Limited	58	58	–	–	5,600,000 shares	e
Tai Sang Estate Agency Limited	100	100	–	–	100,000 shares	d, e
TSE (Floral Villas) Limited	–	–	100	100	100 shares	d
TSE (Kam Yuen Mansion) Limited	–	–	100	100	1,000 shares	d
TSL Construction and Engineering Limited	100	100	–	–	2 shares	g
Welldicker Industrial Limited	100	100	–	–	2 shares	e
Xin Kuok Investments Limited	100	100	–	–	2 shares	f

Principal activities:

a = property rental
b = property development
c = finance
d = estate management and agency
e = investment holding
f = motor vehicle rental
g = property sale
h = property sub-letting
i = management service
j = motor vehicle holding
k = hotel operation

SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2018

A PROPERTIES FOR INVESTMENT

Description	Lot Number	Type #	Appro. G.F.A. (M^2)	Group's interest	Lease term
Hong Kong					
Gateway ts, 8 Cheung Fai Road, Tsing Yi	T.Y.T.L. 56	G & I	118,025	100%	Medium term
Heung Wah Industrial Building (portion), 12 Wong Chuk Hang Road, Aberdeen	A.I.L. 340	I	6,947	95%	Long term
Chin Fat Factory Building (portion), 3 Tsat Po Street, San Po Kong	K.I.L. 4438 & 4439	I	966	65%	Medium term
House of Corona (portion), 50 Hung To Road, Kwun Tong	K.T.I.L. 284	I	699	65%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road	I.L. 646 Sec. A & Sec. B	R	2,034	75%	Long term
Sea and Sky Court (portion), 92 Stanley Main Street, Stanley	S.I.L. 8	R	319	100%	Long term
Mercantile House, 186 & 190 Nathan Road, Tsim Sha Tsui	K.I.L.9735 & 2/70 shares of 8631	C	1,078	100%	Medium term
Continental Mansion (portion), 294-304 King's Road, North Point	R.P. of I.L. 7185	C & R	1,078	53.6%	Long term
Shing Wah Building (portion), 31 Shing Fong Street, Kwai Chung	K.C.T.L. 232	C	309	100%	Medium term
Kin Wah Mansion (portion), 176-178 Tung Lo Wan Road	I.L. 3578, 3579 & 3581	C	590	100%	Long term
Viking Court (portion), 165-166 Connaught Road West, Western District	M.L. 342 & 343	C	585	100%	Long term
Kam Wah Building (portion), 23-25 Shek Yam Road and 2-14 Shek Yi Road, Kwai Chung	K.C.T.L. 171	C	262	95%	Medium term
Floral Villas (portion), 18 Tso Wo Road, Tso Wo Hang, Sai Kung	Lot 314 D.D. 252	C & R	4,838	100%	Medium term
Overseas					
Montgomery Plaza, 456 Montgomery Street, San Francisco, the United States of America	–	C	15,638^	100%	Freehold

B PROPERTIES FOR SALE

Description	Lot Number	Type #	Appro. G.F.A. (M^2)	Group's interest
Hong Kong				
Floral Villas (portion), 18 Tso Wo Road, Tso Wo Hang, Sai Kung	Lot 314 D.D.252	R	3,798	100%
Sheung Wan Tai Sang Commercial Building (Hollywood Centre) (portion), 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	C	4,019	100%
Kam Wah Building (portion), 23-25 Shek Yam Road and 2-14 Shek Yi Road, Kwai Chung	K.C.T.L. 171	C	1,724	100%

C PROPERTIES FOR HOTEL OPERATION

Description	Lot Number	Type #	Appro. G.F.A. (M^2)	Group's interest
Hong Kong				
Sheung Wan Tai Sang Commercial Building (Hollywood Centre) (portion), 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	H	1,841	100%

D PROPERTIES UNDER DEVELOPMENT

Description	Lot Number	Type #	Appro. site area (M^2)	Group's interest	Stage of completion	Expected completion date
Hong Kong						
43 Heung Yip Road, Aberdeen	A.I.L. 353	H & C	1,208	100%	Superstructure works in progress	2019
No.20 & No.22 Severn Road, The Peak	R.B.L. 1137	R	3,810	100%	Planning	N/A

E OTHER PROPERTIES

Properties for own operations

Description	Lot Number	Type #	Appro. G.F.A. (M^2)	Group's interest	Lease term
Hong Kong					
No.1 Barker Road, The Peak	R.B.L. 810	Q	1,352	100%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road	I.L. 646 Sec. A & Sec. B	Q	910	75%	Long term

Type #

G	:	Godown
I	:	Industrial
R	:	Residential
C	:	Commercial
H	:	Hotel
Q	:	Quarters for directors/senior management/staff
^	:	Net rentable area
G.F.A.	:	Gross floor area

FIVE-YEAR FINANCIAL SUMMARY

	2014	2015	2016	2017	2018
RESULTS (HK$ thousand)					
Profit attributable to:					
– Owners of the Company	620,250	263,268	373,607	502,055	492,803
– Non-controlling interests	11,845	19,481	8,913	15,438	18,890
	632,095	282,749	382,520	517,493	511,693
Earnings per share	HK$2.16	HK$0.92	HK$1.30	HK$1.75	HK$1.71
ASSETS AND LIABILITIES (HK$ thousand)					
Total assets	6,912,414	7,948,880	8,512,750	9,225,691	10,098,642
Total liabilities	(1,113,725)	(1,376,354)	(1,606,843)	(1,849,805)	(2,270,821)
Total equity	5,798,689	6,572,526	6,905,907	7,375,886	7,827,821