NINE EXPRESS LIMITED
九號運通有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00009)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Nine Express Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 ("**FY 2018**" or the "**Year under Review**"), with comparative figures as follows:

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

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*5*	**81,809**	66,890
Cost of sales	*7*	**(64,463)**	(48,496)
Gross profit		**17,346**	18,394
Other income and gains	*5*	**16,583**	84,795
Fair value loss on investment properties		**–**	(6,070)
Impairment loss on investment in an associate	*11*	**(226,023)**	(246,862)
Impairment loss on rental receivables		**(5,443)**	–
Properties under development written down		**(32,310)**	(181,074)
Loss on early redemption of convertible notes		**(362)**	(183)
Share-based payments		**(25,633)**	–
Administrative expenses	*7*	**(50,862)**	(41,660)
Selling and marketing expenses	*7*	**(793)**	(3,207)
Operating loss		**(307,497)**	(375,867)

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Finance income	*6*	**93**	168
Finance costs	*6*	**(48,611)**	(23,365)
Finance costs – net	*6*	**(48,518)**	(23,197)
Share of profits of associates		**2,564**	1,008
Loss before income tax		**(353,451)**	(398,056)
Income tax (expense)/credit	*8*	**(604)**	2,633
Loss for the year attributable to owners of the Company		**(354,055)**	(395,423)
Loss per share	*10*		
Basic		**HK(10.84) cents**	HK(14.65) cents
Diluted		**HK(10.84) cents**	HK(14.65) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(354,055)**	(395,423)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(40,093)**	45,027
Share of other comprehensive income of associates accounted for using the equity method	**(101)**	(34)
Other comprehensive income for the year, net of tax	**(40,194)**	44,993
Total comprehensive income for the year attributable to owners of the Company	**(394,249)**	(350,430)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**373,515**	141,889
Land use rights		**65,542**	77,273
Investment properties		**258,774**	270,819
Investments in associates		**638,317**	645,540
Available-for-sale financial assets		**–**	167,722
Prepayments and other receivables	*13*	**1,445**	1,380
Film rights		**102**	102
Financial assets at fair value through profit or loss		**–**	95,225
Total non-current assets		**1,337,695**	1,399,950
Current assets			
Properties for sale or under development		**904,459**	1,007,784
Inventories		**3**	1
Trade and rental receivables	*12*	**10,185**	15,325
Deposits for land acquisition		**115,404**	–
Prepayments and other receivables	*13*	**35,259**	38,365
Other financial assets		**110,000**	–
Financial assets at fair value through profit or loss		**110,136**	52,892
Restricted bank deposits		**8,563**	24,068
Cash and cash equivalents		**5,847**	7,645
Total current assets		**1,299,856**	1,146,080
LIABILITIES			
Current liabilities			
Trade payables	*14*	**31,266**	45,583
Other payables, accruals and deposits received		**271,095**	324,574
Contract liabilities		**102,626**	–
Amount due to an associate		**151**	–
Borrowings		**477,968**	306,678
Convertible notes		**104,051**	–
Tax payables		**2,608**	4,113
Total current liabilities		**989,765**	680,948

	2018	2017
	HK$'000	*HK$'000*
Net current assets	**310,091**	465,132
Total assets less current liabilities	**1,647,786**	1,865,082
Non-current liabilities		
Deposits received	**2,562**	2,698
Borrowings	**483,732**	356,480
Convertible notes	**–**	134,911
Deferred tax liabilities	**156,537**	164,372
Total non-current liabilities	**642,831**	658,461
Net assets	**1,004,955**	1,206,621
EQUITY		
Equity attributable to owners of the Company		
Issued share capital	**35,688**	29,654
Reserves	**969,267**	1,176,967
Total equity	**1,004,955**	1,206,621

1. CORPORATE INFORMATION

Nine Express Limited (the "**Company**") was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business in Hong Kong of the Company is located at Room 4101, 41st Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "**Group**") consist of film distribution and licensing, film processing, rental of property, property and hotel development, and investment in centralised heat supply.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

As at 31 December 2018, the Group had total current liabilities of approximately HK$989,765,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK$5,847,000. In addition, the Group recorded a net loss attributable to owners of the Company of approximately HK$354,055,000 and had net cash outflow from operating activities of approximately HK$124,328,000 for the year ended 31 December 2018. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has prepared cash flow projections which cover a period of eighteen months from the date of the consolidated statement of financial position. The directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections. The Directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include obtaining additional financing from a company controlled by the controlling shareholder and other parties with lower interest cost. The Group also received a letter of financial support from a company controlled by the controlling shareholder, Keyne Holdings Limited, confirming that it will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due. In the opinion of the Directors, in light of the above, together with the anticipated cash outflows from operations, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming eighteen months from the date of the consolidated statement of financial position. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 Application of new and amended HKFRSs

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

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

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" ("**HKAS 39**"). It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit losses ("**ECL**") model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in accumulated losses.

The adoption of HKFRS 9 has impacted the following areas:

– the classification and measurement of the Group's financial assets. Management holds financial assets to hold and collect the associated cash flows. The Group's trade and rental receivables, and other receivables previously classified as loans and receivables under HKAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and pass contractual cash flow characteristics test in HKFRS 9.

– investment in 19% unlisted equity interest in Broad World Holdings Limited ("**Broad World**") previously classified as available-for-sale financial asset under HKAS 39 measured at cost less impairment, is now measured at fair value. The Group elected to irrevocably designate the investment at fair value with changes presented in other comprehensive income. Since the accounting treatment of investment in unlisted equity interest in Broad World carried at cost less impairment under HKAS 39 is no longer applicable under HKFRS 9, the carrying amount was restated from HK$62,672,000 to its fair value of HK$65,000,000 as at 1 January 2018, and the difference of HK$2,328,000 is being recognised in fair value reserve – non-recycling in the equity as at 1 January 2018.

– investment in unlisted equity interest in GLC Special Situations Fund L.P. ("**GLC Fund**") previously classified as available-for-sale financial asset under HKAS 39 measured at cost less impairment, is now measured at fair value through profit or loss. Since the accounting treatment of investment in unlisted equity interest in GLC Fund carried at cost less impairment under HKAS 39 is no longer applicable under HKFRS 9, the carrying amount was restated from HK$105,050,000 to its fair value of HK$110,000,000 as at 1 January 2018, and the difference of HK$4,950,000 is being recognised in accumulated losses in the equity as at 1 January 2018.

– HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the Group's financial assets measure at amortised cost (including cash and cash equivalents, restricted bank deposits, trade and rental receivables, deposits and other receivables). Financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income are not subject to the ECL assessment.

For trade and rental receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognising ECL. As a result of this change in accounting policy on financial assets impairment, there is no significant impact to the Group's consolidated financial statements and accordingly no adjustment to the opening balance of equity at 1 January 2018 and no restatement to the comparative information are required.

The reclassifications and remeasurements made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

	At 31 December 2017 (Audited)	**Impact on initial application of HKFRS 9**	**At 1 January 2018 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Available-for-sale financial assets	167,722	(167,722)	–
Equity instruments at fair value through other comprehensive income – Broad World	–	65,000	65,000
Financial assets at fair value through profit or loss – GLC Fund	–	110,000	110,000
Equity			
Fair value reserve (non-recycling)	–	2,328	2,328
Accumulated losses	(1,396,702)	4,950	(1,391,752)

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

HKFRS 15 "Revenue from Contracts with Customers and the related Amendments"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replaces HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 January 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Prior to 1 January 2018, revenue arising from the provision of licensing of the distribution and broadcasting rights over films and television series, sale of properties held for sale and film processing services are generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard does not have significant impact on how it recognises revenue.

Accounting for revenue from sale of properties – currently, revenue from sale of properties is recognised when the risk and rewards of the properties are transferred to the buyers, which is when the construction of relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Under HKFRS 15, revenue is recognised when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customer are received significantly in advance of revenue recognition or significantly deferred.

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The Group assessed the effects of financing components are not significant and the transaction price is not adjusted.

Presentation of contract assets and liabilities

Previously, contract balances in relation to sale of properties were presented in the consolidated statement of financial position under “trade and rental receivables” or “other payables, accruals and deposits received” respectively.

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

The following adjustments are made to the amounts recognised in the consolidated statement of financial position at 1 January 2018:

	At 31 December 2017 (Audited)	Impact on initial application of HKFRS 15	At 1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Other payables, accruals and deposits received	324,574	(148,116)	176,458
Contract liabilities	–	148,116	148,116

Other than as discussed above, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3.2 New and amended HKFRSs in issue but not yet effective

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Other than HKFRS 16, the new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements. Further details of the expected impacts are discussed in the annual report.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into five business units – property rental, film distribution and licensing, film processing, property and hotel development and centralised heat supply.

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

Segment assets exclude restricted bank deposits, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a Group basis.

Segment liabilities exclude convertible notes and other unallocated head office and corporate liabilities as these liabilities are managed on a Group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2018

	Property rental	Film distribution and licensing	Film processing	Property and hotel development	Centralised heat supply	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
External revenue from contracts with customers by timing of revenue recognition						
– Point in time	–	1,113	861	60,147	–	62,121
External revenue from other sources	19,688	–	–	–	–	19,688
Total revenue	19,688	1,113	861	60,147	–	81,809
Segment results	4,028	(5,623)	(1,704)	(45,693)	(223,467)	(272,459)
Unallocated corporate expenses						(32,474)
Finance income						93
Finance costs						(48,611)
Loss before income tax						(353,451)
Income tax expense						(604)
Loss for the year						(354,055)

As at 31 December 2018

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets and liabilities							
Segment assets	**270,032**	**128**	**1,008**	**1,487,051**	**–**	**241,015**	**1,999,234**
Segment liabilities	**54,622**	**7,455**	**477**	**793,081**	**–**	**776,961**	**1,632,596**
Investments in associates	**216,327**	**–**	**–**	**–**	**421,990**	**–**	**638,317**
Other segment information:							
Capital expenditure	**1,647**	**–**	**–**	**240,219**	**–**	**561**	**242,427**
Depreciation	**802**	**–**	**332**	**102**	**–**	**1,174**	**2,410**
Properties under development written down	**–**	**–**	**–**	**32,310**	**–**	**–**	**32,310**
Impairment loss on investment in an associate	**–**	**–**	**–**	**–**	**226,023**	**–**	**226,023**
Share of profits of associates	**–**	**–**	**–**	**–**	**2,564**	**–**	**2,564**

Year ended 31 December 2017

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Total *HK$'000*
Segment revenue:						
External revenue from contracts with customers by timing of revenue recognition						
– Point in time	–	2,343	1,890	43,578	–	47,811
External revenue from other sources	19,079	–	–	–	–	19,079
Total revenue	19,079	2,343	1,890	43,578	–	66,890
Segment results	3,932	(2,291)	(634)	(192,834)	(245,871)	(437,698)
Unallocated corporate income						62,839
Finance income						168
Finance costs						(23,365)
Loss before income tax						(398,056)
Income tax credit						2,633
Loss for the year						(395,423)

As at 31 December 2017

	Property rental *HK$'000*	Film distribution and licensing *HK$'000*	Film processing *HK$'000*	Property and hotel development *HK$'000*	Centralised heat supply *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets and liabilities							
Segment assets	285,459	111	1,335	1,325,076	–	288,509	1,900,490
Segment liabilities	56,480	7,278	473	1,015,803	–	259,375	1,339,409
Investments in associates	–	–	–	–	645,540	–	645,540
Other segment information:							
Capital expenditure	42	–	–	60,129	–	192	60,363
Depreciation	907	–	450	152	–	1,167	2,676
Fair value loss on investment properties	6,070	–	–	–	–	–	6,070
Properties under development written down	–	–	–	181,074	–	–	181,074
Impairment loss on investment in an associate	–	–	–	–	246,862	–	246,862
Share of profits of associates	–	–	–	–	1,008	–	1,008

(a) Geographical information

2018

	Hong Kong ***HK$'000***	**Mainland China** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
Revenue	**878**	**79,835**	**1,096**	**81,809**
Non-current assets	**3,512**	**1,334,183**	**–**	**1,337,695**
Capital expenditure	**561**	**241,866**	**–**	**242,427**

2017

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue	2,756	62,657	1,477	66,890
Non-current assets (excluding available-for-sale financial assets and financial assets at fair value through profit or loss)	4,393	1,132,610	–	1,137,003
Capital expenditure	192	60,171	–	60,363

(b) Information about major customers

The Group's customer base include one (2017: one) customer in the property rental segment with whom transaction has exceed 10% of the Group's total revenue. Revenue from this customer amounted to approximately HK$13,294,000 (2017: HK$12,926,000) during the year ended 31 December 2018.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of film rights licensed, after allowances for trade discounts; the value of services rendered; sales of properties and rental income received and receivable from its investment property less business tax during the year.

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sales of properties	**60,147**	43,578
Film distribution and licensing income	**1,113**	2,343
Film processing income	**861**	1,890
	62,121	47,811
Revenue from other sources		
Property rental income	**19,688**	19,079
	81,809	66,890
Other income and gains		
Fair value gains on financial assets at fair value through profit or loss	**14,911**	84,717
(Loss)/Gain on disposal of property, plant and equipment	**(6)**	57
Others	**1,678**	21
	16,583	84,795

6. FINANCE COSTS – NET

	2018	2017
	HK$'000	*HK$'000*
Finance costs:		
Interest on bank borrowings wholly repayable within five years	**31,191**	37,821
Interest on other borrowings	**42,500**	32,715
Interest on convertible notes	**14,123**	16,333
Foreign exchange difference, net	**3,710**	1,586
	91,524	88,455
Less: amounts capitalised on qualifying assets	**(42,913)**	(65,090)
Total finance costs	**48,611**	23,365
Finance income:		
Interest income on short-term bank deposits	**(93)**	(168)
Total finance income	**(93)**	(168)
Finance costs – net	**48,518**	23,197

7. EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**18,053**	14,989
Pension costs – defined contribution plans and social security costs	**1,606**	941
	19,659	15,930
Directors' remuneration (excluding share-based payments)	**4,096**	4,370
Auditor's remuneration	**1,960**	2,122
Depreciation	**2,410**	2,676
Cost of inventories recognised as expenses	**46**	112
Cost of properties sold	**59,981**	43,578
Operating lease rentals in respect of buildings	**4,185**	3,617
Direct operating expenses of investment property that generate rental income	**3,078**	3,246
Reversal of provision for impairment of trade receivables	**–**	(40)
Professional fees	**8,378**	5,960
Selling and marketing expenses	**793**	3,207
Others	**11,532**	8,585
Total cost of sales, administrative expenses and selling and marketing expenses	**116,118**	93,363

8. INCOME TAX EXPENSE/(CREDIT)

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Charge for the year	**–**	54
Overprovision in prior years	**(30)**	–
	(30)	54
Current tax – PRC		
(Credit)/Charge for the year	**(6)**	2,464
Total current tax	**(36)**	2,518
Deferred tax	**640**	(5,151)
Total tax expense/(credit)	**604**	(2,633)

9. DIVIDEND

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(354,055)**	(395,423)
Weighted average number of ordinary shares in issue (thousands)	**3,267,541**	2,698,645

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares, share options and convertible notes for the years ended 31 December 2018 and 2017.

For the years ended 31 December 2018 and 2017, the convertible notes were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the interest expense less the tax effect. Potential ordinary shares arising from the assumed conversion of convertible notes were not included in the calculation of diluted loss per share because they are anti-dilutive for the years ended 31 December 2018 and 2017. For share options, calculation is done to determine the number of shares that could have acquired at fair value (determined as average annual market share price of the Company's shares) based on the monetary value of the subscription right attached to the outstanding share options. As the exercise price of the share options granted by the Company was higher than the average annual market price of the Company's shares for the years ended 31 December 2018 and 2017, the outstanding share options had no dilutive effect on loss per share. Therefore, diluted loss per share for the years ended 31 December 2018 and 2017 equals basic loss per share.

11. IMPAIRMENT LOSS ON INVESTMENT IN AN ASSOCIATE

For impairment assessment, the Group had estimated the value in use of Ever-Grand Development Limited ("**Ever-Grand**"), based on the share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operation of the associate and the proceeds from the ultimate disposal of the investment. For the year ended 31 December 2018, due to further delay in pipeline construction, an impairment loss of HK$226,023,000 (2017: HK$246,862,000) was recognised in profit or loss. The pre-tax discount rate used was 19.1% (2017: 21.0%).

The investment in Ever-Grand was included in the segment of "centralised heat supply".

12. TRADE AND RENTAL RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**149**	2,768
Less: ECL allowance/loss allowance	**(69)**	(69)
Trade receivables – net	**80**	2,699
Rental receivables	**15,341**	12,626
Less: ECL allowance/loss allowance	**(5,236)**	–
Rental receivables – net	**10,105**	12,626
	10,185	15,325

The carrying amounts of trade and rental receivables approximate their fair values.

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Credit limits attributed to customers are reviewed regularly.

The aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 90 days	**80**	2,699
	80	2,699

13. PREPAYMENTS AND OTHER RECEIVABLES

		2018	2017
	Note	***HK$'000***	*HK$'000*
Prepayment for construction costs	*(i)*	**–**	1,025
Other prepayments		**23,571**	11,491
Other receivables		**10,223**	25,652
Utility and other deposits		**2,910**	1,577
		36,704	39,745
Less: current portion		**(35,259)**	(38,365)
Non-current portion		**1,445**	1,380

Note:

(i) The balance represents prepayments to subcontractors in the PRC relating to the construction project of the Group in Hunan for developing the residential properties and hotel.

14. TRADE PAYABLES

At 31 December 2018, the aging analysis of the trade payables, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 – 90 days	**29,599**	44,572
91 – 180 days	**5**	80
181 – 365 days	**974**	125
Over 1 year	**688**	806
	31,266	45,583

15. CONTINGENT LIABILITIES

According to Tax Circular 698 and Public Notice [2015] No. 7 ("**Public Notice 7**") of the State Administration of Taxation (the "**SAT**"), the Group's acquisition of 49% equity interest in Ever-Grand during the year ended 31 December 2016 had led to an indirect acquisition of subsidiaries of Ever-Grand in the PRC, including 東莞市德晉能源科技有限公司 (Dongguan City Dejin Energy Technology Company Limited) and 東莞市德晉熱力有限公司 (Dongguan City Dejin Thermal Power Company Limited). Such arrangement shall be re-characterised as a direct transfer by the PRC tax authorities and the capital gain derived will be subject to PRC Enterprise Income Tax ("**EIT**"). The Group should act as EIT withholding agent and report the indirect equity transfer (and settle the EIT, if applicable) to the PRC tax authorities within 30 days after the equity transfer agreement is concluded.

In case the Group fails to fulfill its withholding obligation and Sky-Linked International Limited (the "**Vendor**") has not paid the EIT, the PRC tax authorities would demand the Vendor for the payment of EIT and impose penalty of 50% to 3 times of the unpaid EIT on the Group. The penalty may be relieved if the indirect transfer has been voluntarily reported to the PRC tax authorities by the Group.

The Company has already held back a sum of HK$60,000,000 payable to the Vendor to serve as withholding EIT and further made an EIT provision of HK$28,200,000, but has not yet reported the transaction or paid EIT to the PRC tax authorities. After consulting PRC legal counsel, the Directors are of the opinion that the Group has already substantially fulfilled the withholding obligation, thereby containing the risk of penalty to reasonably low level.

According to sale and purchase agreement dated 16 November 2015 entered into among the Company, the Vendor and the Guarantors, namely Mr. Cheng Ngok Fai (the "**Guarantor C**") and Mr. Li Ruiguang (the "**Guarantor L**"), the Vendor is responsible for the filing and the settlement of the EIT arising from the indirect equity transfer in accordance to the relevant PRC tax laws and regulations. The Vendor shall compensate the Company in case the Vendor fails to report and make payment of the EIT on the indirect equity transfer. In addition, such arrangement was further formally executed through a deed of tax indemnity entered into among the Company, the Vendor and the Guarantors on 30 March 2016. Therefore, the Directors believe the Vendor, who still own 51% equity interest in Ever-Grand, would voluntarily report and pay the EIT to the PRC tax authorities, as well as compensating the Group for any penalty to be imposed to the Group, if any. The Directors do not consider it probable that a claim will be made against the Group regarding the penalty mentioned above.

Except as above, the Group has no material contingent liabilities as at 31 December 2018 and 2017.

EXTRACTS OF INDEPENDENT AUDITOR'S REPORT

Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that, as at 31 December 2018, the Group had total current liabilities of approximately HK$989,765,000 that would be due for repayment in the coming twelve months. As at the same date, the Group had cash and cash equivalents of approximately HK$5,847,000. In addition, the Group recorded a net loss attributable to owners of the Company of approximately HK$354,055,000 and had cash outflow from operating activities of approximately HK$124,328,000 for the year ended 31 December 2018. These events or conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid "note 2 to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in note 2 to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year under Review, the Group continued to focus on (i) property and hotel development (the "**Xiangtan Project**") in Xiangtan, Hunan Province, (ii) property rentals (the "**Chengdu Project**") in Chengdu, Sichuan Province, (iii) film distribution and processing business, and (iv) investment in centralised heat supply business.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the Group recorded a turnover of approximately HK$81,809,000 (2017: HK$66,890,000). Loss attributable to owners of the Company was approximately HK$354,055,000 (2017: HK$395,423,000).

For the year ended 31 December 2018, property rental income was stable and contributed approximately HK$19,688,000 (2017: HK$19,079,000) to the total turnover while sales of properties contributed approximately HK$60,147,000 (2017: HK$43,578,000) to the total revenue.

Loss attributable to owners of the Company was approximately HK$354,055,000 (2017: HK$395,423,000). Basic and diluted loss per share was approximately HK10.84 cents (2017: HK14.65 cents). The Board does not recommend dividend payout for the year ended 31 December 2018 (2017: Nil). As at 31 December 2018, cash and cash equivalents were approximately HK$5,847,000 (31 December 2017: HK$7,645,000).

BUSINESS REVIEW

(i) Xiangtan Project

Situated in the Jiuhua Economic Zone of Xiangtan, Hunan, the Xiangtan Project encompasses a land area of 325,989 square meters for the development of a five-star hotel and low density residential units.

With the recent development and operation of the infrastructure works in the few years, for example, the Maglev train between the Changsha airport and the core areas of the Changsha city and operation of the Intercity Railway which run across the major cities in Hunan, namely Changsha, Xiangtan and Zhuzhou, made into a convenient living circle to the surrounding areas.

During the Year under Review, the Group had speeded up the interior decorating works of the proposed 5-star hotel. In alignment with the five-star positioning of the hotel, the Group has entered into a management contract with the world-renowned Swissotel at the end of 2017, whereby the hotel will be operated as one of the luxury hotel brands under AccorHotels Group. The hotel, which strives to provide travellers with world-class comfort, is expected to commence its operation by the end of 2019.

For the year ended 31 December 2018, the Group had recognised 26 units of semi-detached villas and 6 units of duplex villas, with the total revenue of approximately of HK$60,147,000, which was delivered to the customers during the year. The remaining 44 units of semi-detached villas pre-sold but not delivered to customers, will be recognised in subsequent financial periods. During the Year under Review, the Group has also completed the construction of detached villa units and is currently finishing the greening, landscape design and road construction works. The Group had obtained the relevant pre-sale permits in July 2018 and commenced the pre-sale of the 27 detached villa houses with a gross area of approximately 15,000 square meters and expect to generate further cash flows from the pre-sale proceeds and further strengthen the financial position of the Group.

In the year of 2019 looking ahead, the Group will speed up the construction of the remaining Phase I property development, comprising commence the construction of newly built new semi-detached villas and high rise apartments with a gross saleable area of approximately 171,000 square meters. Upon completion of the construction work in that area, the Group will spare no effort in taking the project forward into the Phase II expansion to cater for the property market boom in Xiangtan city.

(ii) Chengdu Project

For the year ended 31 December 2018, the Group's five-storey shopping centre located in Jinniu District, Chengdu, remained almost fully leased and occupied, become the main steady income driver for the Group. Revenue of approximately HK$19,688,000 from property rental, was similar to the total recorded for the year ended 31 December 2017.

(iii) Film Distribution and Processing Business

For the year ended 31 December 2018, film distribution and processing business recorded revenue of approximately HK$1,974,000, a decrease of approximately 53.4% compared to the year ended 31 December 2017. The loss before income tax widened from approximately HK$2,925,000 to approximately HK$7,327,000 in 2017 and 2018 respectively. With the downsizing of the film business, and the Group intends to put its focus on the property development business, and considered to adjust its non-core business out of the business portfolio.

(iv) Centralised Heat Supply Business

As of 31 December 2018, an independent valuation was carried out to determine the recoverable amount of 49% equity interests in Ever-Grand Development Limited ("**Ever-Grand**"), for the purpose of assessment of an indication of asset impairment in complying with HKAS 36. The recoverable amount was determined at approximately HK$421,990,000, which was approximately 16% to the Group's total assets of approximately HK$2,637,551,000. The management of Ever-Grand has adopted "Discounted cashflows method" under "Income approach" as the valuation methodology.

The major inputs used were: (i) the approved budgeted future cashflows of Ever-Grand for the financial periods from 2019 to 2023; (ii) pre-tax discount rate of 19.1%; and (iii) terminal growth rate of 3%.

Currently, the Group is supplying steam to around 30 (2017: 20) active customers in Humen Town through steam transmission pipelines of approximately 4.8km (2017: 3.3km). During the year, the steam supply volume reached approximately 177,000 tons (2017: 105,000 tons), generating revenue of approximately HK$43,958,000 to Ever-Grand, representing an increase of 81.1% as compared with the last financial year. However, in the ChangAn town, as a result of the continuous delay of the pipeline deployment plan rolled out in ChangAn town, coupled with the sustained delay of the public release from the local and central government of the Changan Binhai New Area's "Guangdong, Hong Kong, and Macau Greater Bay Area Development Plan Outline" and the Dawan District Plan was issued only in the first quarter of 2019, the business plan of the ChangAn town was further delayed and suspended with uncertainties.

As a result of the independent valuation, the Directors aware an indication of impairment of the related investment, the recoverable amount of approximately HK$421,990,000 falls below the carrying amount of the investment of approximately HK$648,013,000. The Directors considered to recognise an impairment loss of approximately HK$226,023,000, for such investment.

According to the consolidated financial statements of Ever-Grand and its subsidiaries (collectively the "**Ever-Grand Group**") for FY2018 received by the Company, the attributable net profit to the Company for FY2018 is approximately HK$2,564,000, which falls below the guaranteed amount (given by Sky-Linked International Limited ("**Sky-Linked**")) of HK$112,700,000 for FY2018. The shortfall is approximately HK$110,136,000 (the "**Amount in Difference**"). Pursuant to the sale and purchase agreement, in respect of the non-fulfillment of the profit guarantee for FY2018, the Company will cancel the same principal amount of convertible notes from those held in escrow for FY2018 and return to Sky-Linked the remaining convertible notes held in escrow for FY2018.

FINANCING ACTIVITIES AND EVENTS AFTER THE REPORTING PERIOD

On 18 December 2017, the Company as borrower has entered into the facility agreement with China Huarong International Holdings Limited as lender, pursuant to which the lender has agreed to make available a loan facility of up to US$42 million (equivalent to approximately HK$328 million) to the Company. The facility has a term of 3 years from its first utilisation date and can be extended for a further 1 year pursuant to the terms of the facility agreement. The facility bears interest at 8% per annum. On 2 January 2018, the loan proceeds of US$42 million (equivalent to approximately HK$328 million) was deposited into the Company.

On 4 January 2018, the Company had fully repaid a loan notes of the principal of US$20 million (equivalent to approximately HK$156 million) together with the interest, with a borrower, Krystal Light Limited which the loan notes was due in January 2018.

On 8 February 2018, Shanghai Dongyuan Huixin Equity Investment Fund Management Company (上海東源匯信股權投資基金管理有限公司) as the general partner and Shanghai Dongxing Investment Holding Development Company Limited (上海東興投資控股發展有限公司), Beijing Jinye Changfeng Industry Company Limited (北京金業長豐實業有限公司) and Chengdu Zhongfa Yellow River Industry Company Limited, which is a wholly owned subsidiary of the Company (成都中發黃河實業有限公司) ("**Chengdu Zhongfa**") collectively as the limited partners entered into the limited partnership agreement in relation to the capital contributions and management of the partnership. The partnership is engaged in the restructed debts investment project in relation to the real estate in PRC. Nanjing Jin Gao Real Estate Company Limited (南京金高房地產開發有限公司) ("**Nanjing Jin Gao**") and Chengdu Zhongfa entered into the loan agreement, pursuant to which, Nanjing Jin Gao has agreed to make an interest-free loan in the amount of RMB190 million (equivalent to approximately HK$236.44 million) available to Chengdu Zhongfa from 9 February 2018 for a term of two years to fund its capital commitment to the partnership. The loan is unsecured and was fully repaid during the year. For details, please refer to the announcement of the Company dated 8 February 2018.

On 12 March 2018, the Company as issuer has entered into the placing and subscription agreement with Donghai International Securities (Hong Kong) Limited (東海國際證券(香港)有限公司) as placing agent, Donghai International Financial Holdings Company Limited (東海國際金融控股有限公司) as subscriber, and Mr. Peter Zhu, Ms. Qian Ling Ling, Mr. Zhu Boheng, Mr. Zhang Li and Shanghai Jin Da Di Investment Company Limited (上海金大地投資有限公司) as guarantors, pursuant to which the Company has agreed to issue the US$15 million 10 per cents senior guaranteed unsecured notes due in 2019 in favour of Donghai International Financial Holdings Company Limited (the "**Notes**"). The Company shall redeem the Notes on the first anniversary of the issue date of the Notes, which can be extended for a further 1 year pursuant to the terms of the placing and subscription agreement and the conditions to the Notes. Details is disclosed in the announcement of the Company dated 12 March 2018. On 12 March 2019, the Notes were redeemed in full by an issue of a promissory note (which carried similar terms to the Notes), except the repayment date will be due on 11 June 2019, and carries an interest rate of 15% per annum.

On 26 March 2018, Grimston Limited as vendor (the Company's wholly-owned subsidiary) entered into a sale and purchase agreement with Circle Prosper Limited as purchaser to dispose 100% equity interests in Prosper China Limited which beneficially holds the investment in the GLC Special Situations Fund L.P. (the "**GLC Fund**") at a consideration of HK$110,000,000. Up to the date of this announcement, the Group had received in the total sum of HK$60,000,000, being two instalments of the total consideration. The remaining balance of the consideration, of HK$50,000,000 shall be paid on or before the completion date, to be taken place on 30 June 2019. Details is disclosed in the announcement of the Company dated 26 March 2018 and 31 December 2018.

On 26 March 2018, Elite State Developments Limited as vendor (the Company's wholly-owned subsidiary) entered into a sale and purchase agreement with Force Hasting Limited as purchaser to dispose 19% equity interest in Broad World Holdings Limited at a consideration of HK$65,000,000. The disposal was completed on 20 December 2018. Details is disclosed in the announcements of the Company dated 26 March 2018 and 20 December 2018.

On 13 July 2018, the Company has completed the placing of an aggregate of 479,838,000 placing shares, representing approximately 13.45% of the issued share capital of the Company as enlarged by issue of the placing shares immediately after completion, have been placed to not less than six placees at the placing price of HK$0.268 per placing share. The net proceeds from the placing are approximately HK$125.9 million. The net proceeds was intended to use for (i) as to approximately HK$70 million towards the property and hotel development project of the Group situated in Xiangtan, Hunan Province, the PRC; and (ii) as to the remaining balances of approximately HK$55.9 million for general working capital purpose and for potential investments opportunities in the future. The net proceeds were used up as intended purposes. The details should refer to the announcements dated 27 June 2018 and 13 July 2018.

On 27 November 2018, the Company as issuer has entered into the Subscription Agreement with Donghai International Financial Holdings Company Limited ("**Donghai Financial**"), as the subscriber, and Mr. Zhu Peter, Ms. Qian Ling Ling, Mr. Zhu Boheng and Shanghai Jin Da Di Investment Company Limited, as guarantors, pursuant to which the Company has agreed to issue the series 1 notes and the series 2 notes, in the aggregate principal amount of US$20,000,000 (equivalent to approximately HK$156,920,000) in favour of Donghai Financial. The notes will bear an interest at the rate of 5% per annum and will mature on the date falling 364 days from the closing date of the series 1 notes and series 2 notes respectively. The Company shall apply the proceeds from the notes as general working capital of the Company or for any other purposes Donghai Financial may in its absolute discretion agree.

PROSPECTS

Looking back 2018, despite being affected by several factors such as China-US trade dispute and a more complicated international environment, the PRC economy maintained stable growth momentum. Supported by the continuous improvement in the macro economy, the Group believes that the growth drivers of China's property sector will remain solid in 2019. Therefore, the Group will continue to focus on property and hotel development business in the coming year.

According to estimates of the State Council, the elderly population aged 60 or above in China is growing by approximately 6.4 million people per year, on average, and will increase to approximately 255 million by 2020, accounting for 17.8% of the total population. As the population ageing is intensifying, the domestic demand for quality elderly services has increased significantly. In view of this, the Group intends to target the increasingly affluent population in China and explore projects such as high-end retirement communities or healthcare real estate to tap the huge growth potential.

To further expand our business, the Group is taking active measures to accelerate its pace of acquisitions, aiming to focus on the investment and development of tourism and commercial property and hotel projects. Moreover, the Group also plans to expand beyond China by seeking high-quality overseas assets for acquisitions, with a view to further enriching the Group's business portfolio and broadening our geographical footprint.

In 2018, the Group recorded substantial increase in the steam supply volume of its centralised heat supply business. Coupled with the announcement of the Greater Bay Area Master Plan and the fact that environmental heat energy business is in line with China's development direction to reduce emission and save energy, the Group is optimistic about the prospects for the centralized heat supply business. In 2019, once the relevant funding and the Greater Bay Area Initiative are implemented, the Group will speed up the deployment of steam transmission pipelines. In conjunction with the gradual roll out of stringent regulatory policies, the Group believes that more customers will switch to the cost-effective steam heating, thereby bringing sustainable revenue to the Group in the long run.

Looking ahead, the Group is still faced with many challenges. However, with the solid foundation built over the years, the Group remains positive on our future growth. The Group will remain prudent and pragmatic and focus on the development of high-potential businesses, meanwhile keeping a close watch on the performance and potential opportunities of other businesses, as well as actively exploring fresh concepts to strive for new development dimensions and profit growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's net current assets were approximately HK$310,091,000 (31 December 2017: HK$465,132,000), with current assets of approximately HK$1,299,856,000 (31 December 2017: HK$1,146,080,000) and current liabilities of approximately HK$989,765,000 (31 December 2017: HK$680,948,000), representing a current ratio of approximately 1.31 (31 December 2017: 1.68). As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$5,847,000 (31 December 2017: HK$7,645,000).

CAPITAL STRUCTURE

As at 31 December 2018, the Group's total equity amounted to approximately HK$1,004,955,000 (31 December 2017: HK$1,206,621,000).

BORROWING AND BANKING FACILITIES AND CHARGE ON GROUP ASSETS

As at 31 December 2018, the Group's outstanding borrowings and convertible notes were approximately HK$1,065,751,000 (31 December 2017: HK$798,069,000). The Group's bank borrowing of approximately HK$144,357,000 (31 December 2017: HK$186,278,000) was secured by the Group's land use right and construction in progress with a net carrying amount of approximately HK$65,542,000 (31 December 2017: HK$77,273,000) and approximately HK$369,893,000 (31 December 2017: HK$136,638,000) respectively. The Group's bank borrowing of approximately HK$193,556,000 as at 31 December 2018 (31 December 2017: HK$233,784,000) was secured by the Group's properties development in progress with a net carrying amount of approximately HK$452,273,000 (31 December 2017: HK$476,240,000). The Group's current bank borrowing of approximately HK$178,000 (31 December 2017: HK$406,000) and bank overdraft of approximately HK$2,985,000 (31 December 2017: HK$2,468,000) as at 31 December 2018 were secured by the leasehold land and buildings, with a net carrying amount of approximately HK$618,000 (31 December 2017: HK$645,000). The Group's other borrowings of approximately HK$156,160,000 as at 31 December 2017 was secured by the share charges over certain subsidiaries of the Group, inter-companies loans and a personal guarantee executed by Mr. Cheng Keung Fai ("**Mr. Cheng**"), a former shareholder of the Company. The Group's borrowings from a shareholder of approximately of HK$1,863,000 as at 31 December 2017, and the Group's borrowings from a former shareholder of approximately of HK$13,500,000 (31 December 2017: HK$15,828,000) and other borrowings of approximately HK$52,984,000 (31 December 2017: HK$66,371,000) were unsecured. The Group's other borrowings of approximately of HK$257,844,000 (31 December 2017: Nil) were unsecured as at 31 December. The Group's other borrowings of approximately of HK$296,125,000 (31 December 2017: Nil) was secured by share charges given by Keyne Holdings Limited ("**Keyne**"), the controlling shareholder of the Company and certain related parties, and equity pledges given by certain subsidiaries of the Company and certain related parties. The gearing ratio based on borrowings and convertible notes over total equity as at 31 December 2018 was approximately 1.060 (31 December 2017: 0.661).

EXPOSURE TO FOREIGN EXCHANGE

The Group's assets and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. Income and expenses derived from the operations in the PRC were mainly denominated in Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, however, the Group will closely monitor the market and make appropriate adjustments and measures when necessary.

CONTINGENT LIABILITIES

Save for those disclosed in note 15 to the announcement, there were no contingent liabilities that the Group is aware of.

EMPLOYEES AND REMUNERATION POLICIES

Staff costs for the year ended 31 December 2018 was approximately HK$37,390,000 (2017: HK$19,865,000), the significant increase of approximately 88%, was due to the equity-settled share-based payments, amounts to approximately HK$13,947,000 which represent the grant of share options to certain employees and a director during the Year under Review. The Group had a workforce of 64 (2017: 75). Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2018 (2017: Nil).

CORPORATE GOVERNANCE

During the year ended 31 December 2018, the Company has complied with the code provisions of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

PURCHASE, REDEMTPION OR SALE OF LISTED SECURITIES OF THE COMPNAY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers(the "**Model Code**") set out in Appendix 10 of Rules Governing the Listing of Securities on the Stock Exchange as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirement set out under the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company has met with the external auditor of the Company, Grant Thornton Hong Kong Limited, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2018, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of three independent non-executive Directors, Mr. Tang Ping Sum, Mr. Tsui Pui Hung and Mr. Chiu Sin Nang, Kenny. The chairman of the audit committee has professional qualifications and experience in financial matters.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.nine-express.com.hk). The annual report will be dispatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our shareholders and investors for their support and our customers for their patronage.

By order of the Board
Nine Express Limited
Zhang Li
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises six Directors. The executive Directors are Ms. Qian Ling Ling (Chairman), Mr. Zhang Li (Chief Executive Officer) and Mr. Xiang Junjie; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chiu Sin Nang, Kenny.