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**勒泰集團有限公司**  
**LERTHAI GROUP LIMITED**

(formerly known as LT Commercial Real Estate Limited)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 112)

**FINAL RESULTS FOR  
THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

The board of directors (the “**Board**“) of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (the “**Company**“) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**“) for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2018*

|   | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|--------------|--------------------------------|---------------------------------------|
| <b>Revenue</b>                                  | 5            | <b>909,919</b>                 | 2,043,221                             |
| Cost of sales                                   |              | <u>(295,639)</u>               | <u>(1,371,005)</u>                    |
| <b>Gross profit</b>                             |              | <b>614,280</b>                 | 672,216                               |
| Interest revenue                                |              | <b>26,326</b>                  | 33,151                                |
| Other income and gains, net                     | 7            | <b>73,551</b>                  | 42,353                                |
| Increase in fair value of investment properties |              | <b>1,387,700</b>               | 1,191,301                             |
| Selling and marketing expenses                  |              | <b>(17,417)</b>                | (41,645)                              |
| Administrative expenses                         |              | <u>(175,307)</u>               | <u>(185,326)</u>                      |
| <b>Profit from operations</b>                   |              | <b>1,909,133</b>               | 1,712,050                             |
| Finance costs                                   | 8            | <u>(791,973)</u>               | <u>(716,062)</u>                      |
| <b>Profit before tax</b>                        |              | <b>1,117,160</b>               | 995,988                               |
| Income tax expense                              | 9            | <u>(407,483)</u>               | <u>(410,891)</u>                      |
| <b>Profit for the year</b>                      | 10           | <u><b>709,677</b></u>          | <u>585,097</u>                        |

|  | <i>Notes</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000<br>(Restated) |
|--|--------------|--------------------------------|--------------------------------|
| <b>Other comprehensive (expense) income after tax:</b>   |              |                                |                                |
| <i>Item that will not be reclassified to profit or loss:</i>   |              |                                |                                |
| Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk |              | <b>29,236</b>                  | –                              |
| <i>Item that may be reclassified to profit or loss:</i>  |              |                                |                                |
| Exchange differences on translating foreign operations   |              | <b>(424,081)</b>               | 431,021                        |
| <b>Other comprehensive (expense) income for the year, net of tax</b>   |              | <b>(394,845)</b>               | 431,021                        |
| <b>Total comprehensive income for the year attributable to owners of the Company</b>   |              | <b>314,832</b>                 | 1,016,118                      |
| <b>Earnings per share (HK dollars)</b>   | 11           |                                |                                |
| – Basic  |              | <b>1.56</b>                    | 1.73                           |
| – Diluted  |              | <b>0.74</b>                    | 1.62                           |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

|  | <i>Notes</i> | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--|--------------|--------------------------------|---------------------------------------|
| <b>Non-current assets</b>                              |              |                                |                                       |
| Investment properties                                  |              | <b>20,658,520</b>              | 20,872,122                            |
| Property, plant and equipment                          |              | <b>20,270</b>                  | 46,556                                |
| Deposit  |              | <b>125,246</b>                 | 131,879                               |
| Interest receivables                                   |              | <b>41,561</b>                  | 25,763                                |
| Pledged bank deposits                                  |              | <b>1,736,463</b>               | 2,015,770                             |
| Deferred tax assets                                    |              | <b>6,199</b>                   | 6,528                                 |
| Other non-current assets                               |              | <b>3,300</b>                   | 3,300                                 |
|  |              | <b>22,591,559</b>              | 23,101,918                            |
| <b>Current assets</b>                                  |              |                                |                                       |
| Properties under development for sales                 |              | <b>2,655,213</b>               | 2,247,780                             |
| Properties held for sales                              |              | <b>406,968</b>                 | 381,076                               |
| Equity investment at fair value through profit or loss |              | <b>4,075</b>                   | –                                     |
| Trade and other receivables, deposits and prepayments  | 12           | <b>441,955</b>                 | 381,335                               |
| Amounts due from related parties                       |              | –                              | 931,759                               |
| Restricted bank balances                               |              | <b>11,135</b>                  | 289,766                               |
| Pledged bank deposits                                  |              | <b>6,872</b>                   | 7,075                                 |
| Cash and bank balances                                 |              | <b>184,107</b>                 | 396,397                               |
|  |              | <b>3,710,325</b>               | 4,635,188                             |
| Non-current assets held for sale                       |              | <b>373,461</b>                 | –                                     |
|  |              | <b>4,083,786</b>               | 4,635,188                             |
| <b>Current liabilities</b>                             |              |                                |                                       |
| Trade and other payables and accruals                  | 13           | <b>3,255,464</b>               | 3,899,152                             |
| Contract liabilities                                   | 14           | <b>1,922,370</b>               | 1,825,999                             |
| Amounts due to related parties                         |              | –                              | 507,579                               |
| Tax payable  |              | <b>27,000</b>                  | 26,842                                |
| Bank and other borrowings                              |              | <b>1,915,517</b>               | 1,545,157                             |
| Convertible bonds                                      | 15           | <b>380,363</b>                 | 77,167                                |
| Senior notes   |              | <b>100,226</b>                 | 93,297                                |
| Bonds  |              | <b>39,062</b>                  | –                                     |
|  |              | <b>7,640,002</b>               | 7,975,193                             |
| <b>Net current liabilities</b>                         |              | <b>(3,556,216)</b>             | (3,340,005)                           |
| <b>Total assets less current liabilities</b>           |              | <b>19,035,343</b>              | 19,761,913                            |

|   | <i>Notes</i> | <b>2018</b><br><b>HK\$'000</b> | 2017<br>HK\$'000<br>(Restated) |
|---|--------------|--------------------------------|--------------------------------|
| <b>Non-current liabilities</b>                      |              |                                |                                |
| Bank and other borrowings                           |              | <b>9,892,573</b>               | 10,157,899                     |
| Convertible bonds                                   | 15           | –                              | 374,706                        |
| Convertible securities                              | 16           | <b>56,444</b>                  | –                              |
| Bonds   |              | –                              | 38,871                         |
| Loans from related companies                        |              | –                              | 263,884                        |
| Deferred tax liabilities                            |              | <b>2,994,089</b>               | 2,743,665                      |
|   |              | <u><b>12,943,106</b></u>       | <u>13,579,025</u>              |
| <b>Net assets</b>                                   |              | <u><b>6,092,237</b></u>        | <u>6,182,888</u>               |
| <b>Capital and reserves</b>                         |              |                                |                                |
| Share capital                                       | 17           | <b>2,086,958</b>               | 498,548                        |
| Reserves  |              | <b>2,854,808</b>               | 5,684,340                      |
| <b>Equity attributable to owners of the Company</b> |              | <b>4,941,766</b>               | 6,182,888                      |
| Perpetual capital instruments                       |              | <b>1,150,471</b>               | –                              |
| <b>Total equity</b>                                 |              | <u><b>6,092,237</b></u>        | <u>6,182,888</u>               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 1. GENERAL INFORMATION

Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (the “**Company**”) was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is Room 3303, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “**Group**”). The Company is an investment holding company.

In the opinion of the directors of the Company (the “**Directors**”), as at 31 December 2018, China Lerthai Commercial Real Estate Holdings Limited (“**China Lerthai**”), a company incorporated in the British Virgin Islands (“**BVI**”), is an immediate holding company; and Mr. Yang Longfei (“**Mr. Yang**”), is the ultimate controlling party of the Company.

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results for the year ended 31 December 2018 do not constitute the Company’s statutory annual consolidation financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

Deloitte Touche Tohmatsu has reported on those financial statements of the Group for the year ended 31 December 2017. The auditor’s reports dated 19 March 2018 was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; did not contain a statement under section 406(2) and 407(2) or 407(3) of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited has reported on those financial statements of the Group for the year ended 31 December 2018. The auditor’s reports dated 29 March 2019 was unqualified; include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; did not contain a statement under section 406(2) and 407(2) or 407(3) of the Hong Kong Companies Ordinance.

## 2. GOING CONCERN BASIS

As at 31 December 2018, the Group had net current liabilities of HK\$3,556,216,000. The cash and bank balances is decreased from HK\$396,397,000 to HK\$184,107,000. In addition, the Group has capital commitments of HK\$589,937,000 and other commitments of HK\$791,938,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing availability of finance supports to the Group, including the credit facilities from its immediate holding company, ultimate controlling party and the continued support of the Group’s bankers. The Group is negotiating with its bankers for the renewal and increase of the banking facilities. The Directors are confident that the banking facilities will be renewed and increased. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be

made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

#### (a) **HKFRS 9 (2014) “Financial Instruments”**

Convertible bonds issued by the Group designated at fair value through profit or loss (“**FVTPL**”) qualified for designation as measured at FVTPL under HKFRS 9. However the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of these liabilities will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. Related fair value losses attributable to changes in the credit risk of those liabilities of HK\$14,996,000 were transferred from the retained profits to revaluation reserve on 1 January 2018.

HKFRS 9 (2014) has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

|                                 | <i>HK\$'000</i>          |
|---------------------------------|--------------------------|
| At 31 December 2017:            |                          |
| Increase in retained profits    | 14,996                   |
| Decrease in revaluation reserve | (14,996)                 |
|                                 | <u><u>          </u></u> |

#### (b) **HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

|  | <i>HK\$'000</i>          |
|--|--------------------------|
| At 31 December 2017:                                   |                          |
| Decrease in deposits received from sales of properties | (1,825,999)              |
| Increase in contract liabilities                       | 1,825,999                |
|  | <u><u>          </u></u> |

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

#### 4. MERGER ACCOUNTING RESTATEMENT

##### **Merger accounting for business combination involving business under common control**

On 20 March 2018, Lerthai Global Commercial Real Estate Fund SPC (“**Lerthai Global SPC**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Yang, a controlling shareholder of the Company, to acquire the entire issued share capital of Lerthai International Holdings Limited (“**Lerthai International**”) and Greatpro Holdings Limited (“**Greatpro**”) (collectively referred to as the “**Target Companies**”). The principal activities of the Target Companies are property development and investment and operation of shopping malls located in the People’s Republic of China (the “**PRC**”). The consideration will be paid by Lerthai Global SPC to Mr. Yang by way of issue of convertible securities.

The acquisition of the Target Companies was completed on 20 April 2018 by passing an ordinary resolution at an extraordinary general meeting held on 17 April 2018. An aggregated principal amount of HK\$4,000 million of the convertible securities have been issued to Mr. Yang.

Since Lerthai Global SPC and the Target Companies are under common control of Mr. Yang, the acquisition has been accounted for as business combination under common control in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA.

Under merger accounting, the results of the Target Companies have been combined from the date when they first came under the control of the Company. The assets and liabilities of the Target Companies have been reflected at their existing carrying values at the date of combination. No amount has been recognised in respect of goodwill or excess of the acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, has been recorded in merger reserve in equity.

Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 have been restated to include the assets and liabilities and the operating results of the Target Companies as if this acquisition had been completed since the date the Target Companies came under the control of the Company. The consolidated statement of financial position as at 1 January 2017 and 31 December 2017 have been restated to include the carrying amounts of the assets and liabilities of the Target Companies had been in existence as at 1 January 2017 and 31 December 2017 as if the Target Companies were combined from the date when they first came under the control of the Company.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group’s accounting policies.

The effect of restatements described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 by line items is as follows:

|  | Year ended<br>31 December<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | Year ended<br>31 December<br>2017<br><i>HK\$'000</i><br>(Restated) |
|--|--|---|--|
| Revenue  | 1,414,321  | 628,900   | 2,043,221  |
| Cost of sales  | <u>(1,206,945)</u>   | <u>(164,060)</u>  | <u>(1,371,005)</u>   |
| Gross profit   | 207,376  | 464,840   | 672,216  |
| Interest revenue   | 1,128  | 32,023  | 33,151   |
| Other income and gains, net  | (4,328)  | 46,681  | 42,353   |
| Increase in fair value of investment properties                                  | 477,683  | 713,618   | 1,191,301  |
| Selling and marketing expenses   | (40,059)   | (1,586)   | (41,645)   |
| Administrative expenses  | <u>(140,690)</u>   | <u>(44,636)</u>   | <u>(185,326)</u>   |
| Profit from operations   | 501,110  | 1,210,940   | 1,712,050  |
| Finance costs  | <u>(150,071)</u>   | <u>(565,991)</u>  | <u>(716,062)</u>   |
| Profit before tax  | 351,039  | 644,949   | 995,988  |
| Income tax expense   | <u>(184,870)</u>   | <u>(226,021)</u>  | <u>(410,891)</u>   |
| Profit for the year attributable to owners<br>of the Company                     | <u>166,169</u>   | <u>418,928</u>  | <u>585,097</u>   |
| <b>Other comprehensive income for the year,<br/>after tax:</b>                   |  |   |  |
| <i>Item that may be reclassified to profit or loss:</i>                          |  |   |  |
| Exchange differences on translating foreign<br>operations                        | <u>24,937</u>  | <u>406,084</u>  | <u>431,021</u>   |
| Other comprehensive income for the year, net of tax                              | <u>24,937</u>  | <u>406,084</u>  | <u>431,021</u>   |
| Total comprehensive income for the year<br>attributable to owners of the Company | <u><u>191,106</u></u>  | <u><u>825,012</u></u>   | <u><u>1,016,118</u></u>  |



The effect of restatements on the consolidated statement of financial position as at 1 January 2017 is as follows:

|   | 1 January<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | 1 January<br>2017<br><i>HK\$'000</i><br>(Restated) |
|---|--|---|--|
| <b>Non-current assets</b>                             |  |   |  |
| Investment properties                                 | 2,968,666  | 13,889,514  | 16,858,180   |
| Property, plant and equipment                         | 8,621  | 55,419  | 64,040   |
| Pledged bank deposits                                 | 17,323   | 229,829   | 247,152  |
| Deferred tax assets                                   | 22,931   | –   | 22,931   |
| Available-for-sale investment                         | –  | 333   | 333  |
| Other non-current assets                              | 3,300  | –   | 3,300  |
|   | <u>3,020,841</u>                                   | <u>14,175,095</u>   | <u>17,195,936</u>                                  |
| <b>Current assets</b>                                 |  |   |  |
| Properties under development for sales                | 3,413,157  | –   | 3,413,157  |
| Properties held for sales                             | –  | 189,168   | 189,168  |
| Trade and other receivables, deposits and prepayments | 650,874  | 60,387  | 711,261  |
| Amounts due from related parties                      | –  | 806,932   | 806,932  |
| Restricted bank balances                              | 32,093   | 46  | 32,139   |
| Pledged bank deposits                                 | 12,944   | 17,685  | 30,629   |
| Cash and bank balances                                | 51,818   | 298,214   | 350,032  |
|   | <u>4,160,886</u>                                   | <u>1,372,432</u>  | <u>5,533,318</u>                                   |

|   | 1 January<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | 1 January<br>2017<br><i>HK\$'000</i><br>(Restated) |
|---|--|---|--|
| Current liabilities                                   |  |   |  |
| Trade and other payables and accruals                 | 1,634,737  | 1,781,725   | 3,416,462  |
| Deposits received from sales of properties            | 1,867,809  | 301,993   | 2,169,802  |
| Amounts due to related parties                        | 2,788  | 220,232   | 223,020  |
| Tax payable   | 4,943  | 617   | 5,560  |
| Bank and other borrowings                             | 384,168  | 946,844   | 1,331,012  |
| Convertible bonds                                     | 444,518  | –   | 444,518  |
| Senior notes  | 180,983  | –   | 180,983  |
|   | <u>4,519,946</u>                                   | <u>3,251,411</u>  | <u>7,771,357</u>                                   |
| Net current liabilities                               | <u>(359,060)</u>                                   | <u>(1,878,979)</u>  | <u>(2,238,039)</u>                                 |
| Total assets less current liabilities                 | <u>2,661,781</u>                                   | <u>12,296,116</u>   | <u>14,957,897</u>                                  |
| Non-current liabilities                               |  |   |  |
| Rental deposit received                               | 677  | –   | 677  |
| Bank and other borrowings                             | 2,037,182  | 5,190,045   | 7,227,227  |
| Bonds   | 38,660   | –   | 38,660   |
| Senior notes  | 90,309   | –   | 90,309   |
| Loans from related companies                          | 212,881  | –   | 212,881  |
| Deferred tax liabilities                              | 61,116   | 2,160,257   | 2,221,373  |
|   | <u>2,440,825</u>                                   | <u>7,350,302</u>  | <u>9,791,127</u>                                   |
| Net assets  | <u><u>220,956</u></u>                              | <u><u>4,945,814</u></u>   | <u><u>5,166,770</u></u>                            |
| Capital and reserves                                  |  |   |  |
| Share capital   | 498,548  | –   | 498,548  |
| Reserves  | <u>(277,592)</u>                                   | <u>4,945,814</u>  | <u>4,668,222</u>                                   |
| Total equity attributable to owners of<br>the Company | <u><u>220,956</u></u>                              | <u><u>4,945,814</u></u>   | <u><u>5,166,770</u></u>                            |

The effect of restatements to the Group's equity on 1 January 2017 is summarised below:

|                                       | 1 January<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | 1 January<br>2017<br><i>HK\$'000</i><br>(Restated) |
|---------------------------------------|--|---|--|
| Share capital                         | 498,548  | –   | 498,548  |
| Share option reserve                  | 69,242   | –   | 69,242   |
| Statutory reserve                     | –  | 5,548   | 5,548  |
| Exchange reserve                      | (85,677)   | (723,063)   | (808,740)  |
| Merger reserve                        | –  | 53,068  | 53,068   |
| (Accumulated losses) retained profits | <u>(261,157)</u>                                   | <u>5,610,261</u>  | <u>5,349,104</u>                                   |
|                                       | <u>220,956</u>                                     | <u>4,945,814</u>  | <u>5,166,770</u>                                   |

The effect of restatements on the consolidated statement of financial position as at 31 December 2017 is as follows:

|                               | 31 December<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | 31 December<br>2017<br><i>HK\$'000</i><br>(Restated) |
|-------------------------------|--|---|--|
| Non-current assets            |  |   |  |
| Investment properties         | 5,146,150  | 15,725,972  | 20,872,122   |
| Property, plant and equipment | 8,337  | 38,219  | 46,556   |
| Deposit                       | –  | 131,879   | 131,879  |
| Interest receivables          | –  | 25,763  | 25,763   |
| Pledged bank deposits         | 24,373   | 1,991,397   | 2,015,770  |
| Deferred tax assets           | 6,528  | –   | 6,528  |
| Other non-current assets      | <u>3,300</u>   | <u>–</u>  | <u>3,300</u>   |
|                               | <u>5,188,688</u>                                     | <u>17,913,230</u>   | <u>23,101,918</u>                                    |

|   | 31 December<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | 31 December<br>2017<br><i>HK\$'000</i><br>(Restated) |
|---|--|---|--|
| <b>Current assets</b>                                 |  |   |  |
| Properties under development for sales                | 2,247,780  | –   | 2,247,780  |
| Properties held for sales                             | 202,608  | 178,468   | 381,076  |
| Trade and other receivables, deposits and prepayments | 240,791  | 140,544   | 381,335  |
| Amounts due from related parties                      | –  | 931,759   | 931,759  |
| Restricted bank balances                              | 283,384  | 6,382   | 289,766  |
| Pledged bank deposits                                 | –  | 7,075   | 7,075  |
| Cash and bank balances                                | 106,979  | 289,418   | 396,397  |
|   | <u>3,081,542</u>                                     | <u>1,553,646</u>  | <u>4,635,188</u>                                     |
| <b>Current liabilities</b>                            |  |   |  |
| Trade and other payables and accruals                 | 2,062,180  | 1,836,972   | 3,899,152  |
| Deposits received from sales of properties            | 1,540,414  | 285,585   | 1,825,999  |
| Amounts due to related parties                        | 18,076   | 489,503   | 507,579  |
| Tax payable   | 9,356  | 17,486  | 26,842   |
| Bank and other borrowings                             | 837,806  | 707,351   | 1,545,157  |
| Convertible bonds                                     | 77,167   | –   | 77,167   |
| Senior notes  | 93,297   | –   | 93,297   |
|   | <u>4,638,296</u>                                     | <u>3,336,897</u>  | <u>7,975,193</u>                                     |
| Net current liabilities                               | <u>(1,556,754)</u>                                   | <u>(1,783,251)</u>  | <u>(3,340,005)</u>                                   |
| Total assets less current liabilities                 | <u>3,631,934</u>                                     | <u>16,129,979</u>   | <u>19,761,913</u>                                    |
| <b>Non-current liabilities</b>                        |  |   |  |
| Bank and other borrowings                             | 2,344,529  | 7,813,370   | 10,157,899   |
| Convertible bonds                                     | 374,706  | –   | 374,706  |
| Bonds   | 38,871   | –   | 38,871   |
| Loans from related companies                          | 263,884  | –   | 263,884  |
| Deferred tax liabilities                              | 197,882  | 2,545,783   | 2,743,665  |
|   | <u>3,219,872</u>                                     | <u>10,359,153</u>   | <u>13,579,025</u>                                    |
| Net assets  | <u><u>412,062</u></u>                                | <u><u>5,770,826</u></u>   | <u><u>6,182,888</u></u>                              |
| <b>Capital and reserves</b>                           |  |   |  |
| Share capital   | 498,548  | –   | 498,548  |
| Reserves  | (86,486)   | 5,770,826   | 5,684,340  |
| Total equity attributable to owners of the Company    | <u><u>412,062</u></u>                                | <u><u>5,770,826</u></u>   | <u><u>6,182,888</u></u>                              |

The effect of restatements to the Group's equity on 31 December 2017 is summarised below:

|                                       | 31 December<br>2017<br><i>HK\$'000</i><br>(Original) | Business<br>combination of<br>entities under<br>common control<br><i>HK\$'000</i> | 31 December<br>2017<br><i>HK\$'000</i><br>(Restated) |
|---------------------------------------|--|---|--|
| Share capital                         | 498,548  | –   | 498,548  |
| Share option reserve                  | 69,242   | –   | 69,242   |
| Statutory reserve                     | –  | 5,548   | 5,548  |
| Exchange reserve                      | (60,740)   | (316,979)   | (377,719)  |
| Merger reserve                        | –  | 53,068  | 53,068   |
| (Accumulated losses) retained profits | (94,988)   | 6,029,189   | 5,934,201  |
|                                       | <u>412,062</u>                                       | <u>5,770,826</u>  | <u>6,182,888</u>                                     |

*Note:* The amounts above are before the adjustments from the application of HKFRS 9 and 15.

The effect of the restatement on the Group's basic and diluted earnings per share for the year ended 31 December 2017 is as follow:

|  | <i>HK dollars</i>  |
|--|--------------------|
| Impact on basic earnings per share                                 |                    |
| Originally stated  | 0.49               |
| Adjustments arising from business combination under common control | <u>1.24</u>        |
| Restated   | <u><u>1.73</u></u> |
| Impact on diluted earnings per share                               |                    |
| Originally stated  | 0.49               |
| Adjustments arising from business combination under common control | <u>1.13</u>        |
| Restated   | <u><u>1.62</u></u> |

## 5. REVENUE

Revenue represents the income from property development, property leasing and provision of comprehensive property management services, net of business tax and other sales related taxes and after deduction of any trade discounts.

Revenue represents the aggregate amounts received and receivable, analysed as follows:

|  | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--|--------------------------------|---------------------------------------|
| Sales of properties                      | <b>174,131</b>                 | 1,422,437                             |
| Revenue from property management service | <b>335,267</b>                 | 128,249                               |
| Revenue from contracts with customers    | <b>509,398</b>                 | 1,550,686                             |
| Rental income                            | <b>400,521</b>                 | 492,535                               |
| Total revenue                            | <b>909,919</b>                 | 2,043,221                             |

Disaggregation of revenue from contracts with customers:

### Timing of revenue recognition

|                    |                |           |
|--------------------|----------------|-----------|
| At a point in time | <b>174,131</b> | 1,422,437 |
| Over time          | <b>335,267</b> | 128,249   |
| Total              | <b>509,398</b> | 1,550,686 |

## 6. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance is based on real estate business in different geographical locations. This is also the basis upon which the Group is organised and managed. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segment based on information reported to the CODM are as follow: (i) Real estate business in Tangshan, the PRC; (ii) Real estate business in Handan, the PRC; (iii) Real estate business in Shijiazhuang, the PRC; (iv) Real estate business in West Covina, the United States of America (the “USA”); and (v) Real estate business in Anaheim, the USA.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

|                                     | Segment revenue  |                                | Segment profit (loss) |                                |
|-------------------------------------|------------------|--------------------------------|-----------------------|--------------------------------|
|                                     | 2018<br>HK\$'000 | 2017<br>HK\$'000<br>(Restated) | 2018<br>HK\$'000      | 2017<br>HK\$'000<br>(Restated) |
| Real estate business in             |                  |                                |                       |                                |
| Tangshan, the PRC                   | 428,749          | 1,619,943                      | 742,359               | 566,527                        |
| Handan, the PRC                     | –                | –                              | 366,678               | 223,194                        |
| Shijiazhuang, the PRC               | 465,472          | 409,876                        | 1,072,082             | 932,222                        |
| West Covina, the USA                | 15,698           | 13,402                         | (15,994)              | 52,876                         |
| Anaheim, the USA                    | –                | –                              | (1,648)               | (6)                            |
|                                     | <u>909,919</u>   | <u>2,043,221</u>               | <u>2,163,477</u>      | <u>1,774,813</u>               |
| Unallocated items                   |                  |                                |                       |                                |
| Other income and gains, net         |                  |                                | 73,551                | 42,353                         |
| Unallocated corporate expenses, net |                  |                                | (327,895)             | (105,116)                      |
| Finance costs                       |                  |                                | (791,973)             | (716,062)                      |
| Profit before tax                   |                  |                                | <u>1,117,160</u>      | <u>995,988</u>                 |

## Geographical information

The Group's operations are located in Hong Kong, the PRC and the USA.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

|           | Revenue from<br>external customers |                                | Non-current assets |                                |
|-----------|------------------------------------|--------------------------------|--------------------|--------------------------------|
|           | 2018<br>HK\$'000                   | 2017<br>HK\$'000<br>(Restated) | 2018<br>HK\$'000   | 2017<br>HK\$'000<br>(Restated) |
| Hong Kong | –                                  | –                              | 2,254              | 1,029                          |
| The PRC   | 894,221                            | 2,029,819                      | 20,620,074         | 20,843,073                     |
| The USA   | 15,698                             | 13,402                         | 223,269            | 232,218                        |
|           | <u>909,919</u>                     | <u>2,043,221</u>               | <u>20,845,597</u>  | <u>21,076,320</u>              |

Non-current assets exclude pledged bank deposits, deferred tax assets and other non-current assets.

No revenue is derived from a single customer of the group which amounted for over 10% of the Group's total revenue (2017: Nil).

## 7. OTHER INCOME AND GAINS, NET

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--|-------------------------|---------------------------------------|
| Exchange gain (net)  | 120,275                 | 84,391                                |
| Change in fair value of convertible bonds designated at FVTPL        | (35,943)                | (3,011)                               |
| Change in fair value of equity investment at FVTPL                   | 350                     | –                                     |
| Compensation to customers for late delivery of properties            | –                       | (11,327)                              |
| Design service fee   | –                       | 5,357                                 |
| (Loss) gain on disposal of properties, plant and equipment           | (12,652)                | 9,629                                 |
| Compensation to a former non-controlling shareholder of a subsidiary | –                       | (15,916)                              |
| Penalties for deferred settlement ( <i>Note</i> )                    | (53,270)                | (33,749)                              |
| Others   | 54,791                  | 6,979                                 |
|  | <u>73,551</u>           | <u>42,353</u>                         |

*Note:* These represent the penalties required by certain suppliers as the Group failed to make payment according to the agreed settlement schedule for certain construction cost payables.

## 8. FINANCE COSTS

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Interest on:  |                         |                                       |
| – convertible bonds   | 42,856                  | 50,416                                |
| – convertible securities  | 6,148                   | –                                     |
| – loans from related companies  | 45,358                  | 30,759                                |
| – senior notes  | 13,929                  | 45,258                                |
| – bonds   | 3,391                   | 3,411                                 |
| – bank and other borrowings   | 694,438                 | 632,146                               |
| – payable to a former shareholder of a subsidiary   | 3,025                   | 41,058                                |
| – amount due to a former non-controlling shareholder of a subsidiary  | –                       | 2,152                                 |
| – others  | –                       | 312                                   |
|   | <u>809,145</u>          | <u>805,512</u>                        |
| Issuing expenses of asset-backed security (“ABS”) ( <i>Note a</i> )   | –                       | 21,166                                |
| Management fee to ABS scheme manager ( <i>Note b</i> )  | 49,522                  | 21,482                                |
|   | <u>858,667</u>          | <u>848,160</u>                        |
| Less: amount capitalised to investment properties under construction and properties under development for sales | (66,694)                | (132,098)                             |
|   | <u>791,973</u>          | <u>716,062</u>                        |



Notes:

- (a) During the year ended 31 December 2017, certain investment properties held by Shijiazhuang Lerthai Commercial Management Company Limited were securitised under an ABS arrangement. The ABS was issued to qualified investors with 3 years' life and can be extended for 2 years at the discretion of the ABS scheme manager. The issuing expenses represent professional fees incurred for the ABS.
- (b) Management fee to ABS scheme manager is charged at 1.3% (2017: 1.3%) of ABS securities in issue per annum.

## 9. INCOME TAX EXPENSE

|  | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--|-------------------------|---------------------------------------|
| Current tax  |                         |                                       |
| – PRC Enterprise Income Tax (“EIT”)  | 24,958                  | 36,100                                |
| – LAT  | 2,746                   | 29,006                                |
|  | <u>27,704</u>           | <u>65,106</u>                         |
| Deferred tax   |                         |                                       |
| – Arising from fair value changes  | 325,225                 | 299,441                               |
| – Arising from deductible depreciation of investment properties in the PRC | 40,323                  | 30,604                                |
| – Others   | 14,231                  | 15,740                                |
|  | <u>379,779</u>          | <u>345,785</u>                        |
|  | <u><b>407,483</b></u>   | <u><b>410,891</b></u>                 |

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit of the companies incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% (2017: 25%).

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

The subsidiaries in the USA are subject to Federal Income Tax of 21% (2017: 21%) and State Tax of 8.8% (2017: 8.8%) on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and taxed as part of their holding company for federal and state tax purposes.

No provision for income tax has been made as the Company and subsidiaries in Hong Kong and the USA incurred tax loss.

## 10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging (crediting) the following:

|  | <b>2018</b>             | 2017             |
|--|-------------------------|------------------|
|  | <b>HK\$'000</b>         | HK\$'000         |
|  |                         | (Restated)       |
| Employee benefits expenses   |                         |                  |
| Directors' emoluments  |                         |                  |
| – Fees   | <b>1,971</b>            | 1,677            |
| – Salaries, bonuses and allowances   | <b>5,606</b>            | 4,407            |
| – Retirement benefits cost   | <b>115</b>              | 100              |
|  | <u><b>7,692</b></u>     | <u>6,184</u>     |
| <br>   |                         |                  |
| Other staff costs  |                         |                  |
| – Salaries, bonuses and allowances   | <b>60,029</b>           | 87,967           |
| – Retirement benefits cost   | <b>10,027</b>           | 14,329           |
|  | <u><b>70,056</b></u>    | <u>102,296</u>   |
| <br>   |                         |                  |
| Total employee benefits expenses   | <b>77,748</b>           | 108,480          |
| Less: amount capitalised to investment properties under construction<br>and properties under development for sales                       | <u><b>(12,077)</b></u>  | <u>(16,086)</u>  |
|  | <b>65,671</b>           | 92,394           |
| <br>   |                         |                  |
| Auditor's remuneration   |                         |                  |
| – audit services   | <b>1,600</b>            | 1,800            |
| – non-audit services   | <b>1,330</b>            | 534              |
| Operating lease payments   | <b>9,193</b>            | 14,566           |
| Depreciation   | <b>10,719</b>           | 12,841           |
| Cost of properties held-for-sale recognised as an expense  | <b>77,004</b>           | 1,206,691        |
| Gross rental and management fee income from investment properties  | <b>735,788</b>          | 620,784          |
| Less: direct operating expenses incurred for investment properties<br>that generated rental and management fee income<br>during the year | <u><b>(163,426)</b></u> | <u>(102,187)</u> |
|  | <u><b>572,362</b></u>   | <u>518,597</u>   |

## 11. EARNINGS PER SHARE

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

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| <b>Earnings</b>   |                         |                                       |
| Earnings for the purpose of basic earnings per share<br>(profit for the year attributable to owners of Company) | 709,677                 | 585,097                               |
| Effect of diluted potential ordinary shares:  |                         |                                       |
| Interest on convertible bonds   | –                       | 12,964                                |
| Interest on convertible securities  | 6,148                   | –                                     |
| Change in fair value of convertible bonds designated at FVTPL   | –                       | 783                                   |
|   | <u>715,825</u>          | <u>598,844</u>                        |

|  | 2018<br><i>'000</i> | 2017<br><i>'000</i><br>(Restated) |
|--|---------------------|-----------------------------------|
| Earnings for the purpose of diluted earnings per share | <u>715,825</u>      | <u>598,844</u>                    |

### Number of shares

|   |                |                |
|---|----------------|----------------|
| Number of ordinary shares for the purpose of basic earnings per share | 455,942        | 338,766        |
| Effect of share options   | 6,392          | –              |
| Effect of conversion of convertible bonds                             | –              | 30,334         |
| Effect of conversion of convertible securities                        | 506,264        | –              |
|   | <u>968,598</u> | <u>369,100</u> |

For the year ended 31 December 2017, the computation of diluted earnings per share did not assume the exercise of the Company's share options granted because the exercise price of those share options was higher than the average market price of shares.

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|   | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|-------------------------|---------------------------------------|
| Trade receivables                                 | 71,296                  | 57,523                                |
| Prepayment of business taxes and other PRC taxes  | 145,329                 | 146,880                               |
| Prepayment for purchase of construction materials | 180                     | 25,224                                |
| Prepaid expense under ABS scheme ( <i>Note</i> )  | 80,917                  | 85,202                                |
| Prepayment for construction costs                 | 30,277                  | 19,542                                |
| Other receivables, deposits and prepayments       | 113,956                 | 46,964                                |
|   | <u>441,955</u>          | <u>381,335</u>                        |

*Note:* According to the relevant agreements under the ABS scheme, there are RMB71,067,000 (equivalent to HK\$80,917,000) (2017: RMB71,067,000 (equivalent to HK\$85,202,000)) retained by the ABS scheme manager for various operating expenses to be incurred.

Trade receivables include consideration in respect of properties sold and properties lease. Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Properties lease receivables represent rental receivables due from the tenants and property manager appointed by the Group. Rental and management fee from tenants are payable in accordance with the terms of relevant agreements. Pursuant to the agreement between the property manager and the Group, the property manager shall pay the rental collected on behalf of the Group to the Group within 30 days.

An aging analysis of trade receivables, based on the date of revenue recognition or invoice date of rental and service is as follows:

|                                | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--------------------------------|--------------------------------|---------------------------------------|
| Within 30 days                 | <b>63,761</b>                  | 11,680                                |
| Over 30 days but within 1 year | <b>521</b>                     | 43,770                                |
| Over 1 year                    | <b>7,014</b>                   | 2,073                                 |
|                                | <b>71,296</b>                  | 57,523                                |

### 13. TRADE AND OTHER PAYABLES AND ACCRUALS

|  | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|--|--------------------------------|---------------------------------------|
| Construction cost payables   | <b>1,131,595</b>               | 990,367                               |
| Accrued construction costs   | <b>1,303,791</b>               | 1,519,354                             |
| Deposits received from suppliers/contractors on contracts tendering  | <b>11,174</b>                  | 14,835                                |
| Rental deposits  | <b>86,034</b>                  | 126,478                               |
| Interest payables  | <b>118,211</b>                 | 135,667                               |
| Bills payable  | –                              | 273,997                               |
| Other tax payables   | <b>23,680</b>                  | 62,225                                |
| Other payables and accruals  | <b>492,342</b>                 | 149,321                               |
| Advanced receipts from tenants                                       | <b>38,386</b>                  | 57,484                                |
| Compensation for relocation to an independent third party            | –                              | 43,160                                |
| Amount due to a former shareholder of a subsidiary ( <i>Note a</i> ) | –                              | 350,444                               |
| Amount due to a former non-controlling shareholder of a subsidiary   | –                              | 115,490                               |
| Penalties payable ( <i>Note b</i> )                                  | <b>50,251</b>                  | 60,330                                |
|  | <b>3,255,464</b>               | 3,899,152                             |

*Notes:*

- (a) On 3 May 2016, Shijiazhuang Lerthai Real Estate Development Company Limited (“**SJZ Property Development**”), Handan Municipal Investment Real Estate Development Company Limited (“**Handan Development**”, an independent third party, a former shareholder of a subsidiary), Handan LT Real Estate Development Company Limited (“**Handan LT**”), and Handan LT Municipal Investment Real Estate Development Company Limited (“**Handan LT Municipal**”) entered into a loan purchase agreement, pursuant to which Handan Development agreed to dispose of and SJZ Property Development agreed to purchase the loan advanced by Handan Development to the JV and Handan Development ceased its participation in the management and operation of the JV. The loan bears interest at 10.46% per annum.
- (b) Tangshan Lerthai Properties Development Co. Ltd. (“**TS Lerthai Development**”), Tangshan LT Shopping Mall Ltd. (“**TS Lerthai Shopping**”) and SJZ Property Development was accused by certain suppliers due to overdue construction payment. The balance as at 31 December 2018 and 31 December 2017 was HK\$50,251,000 and HK\$60,330,000, respectively, which include overdue interest claimed by the suppliers. TS Lerthai Development, TS Lerthai Shopping and SJZ Property Development received court orders which restricted it from selling or pledging certain designated units for a period of three years from date of the court order. As at the date of this announcement, TS Lerthai Development and TS Lerthai Shopping are still in the course of negotiation with the suppliers for settlement.

An aging analysis of the Group’s construction cost payables at the end of each reporting period presented based on the invoice date is as follows:

|                                | <b>2018</b>      | 2017       |
|--------------------------------|------------------|------------|
|                                | <b>HK\$’000</b>  | HK\$’000   |
|                                |                  | (Restated) |
| Within 1 year                  | <b>635,482</b>   | 167,446    |
| Over 1 year but within 3 years | <b>491,293</b>   | 30,173     |
| Over 3 years                   | <b>4,820</b>     | 792,748    |
|                                | <b>1,131,595</b> | 990,367    |

## 14. CONTRACT LIABILITIES

Disclosures of revenue-related items:

|   | At<br><b>31 December</b><br><b>2018</b><br><i>HK\$'000</i> | At<br>31 December<br>2017<br><i>HK\$'000</i><br>(Restated) | At<br>1 January<br>2017<br><i>HK\$'000</i><br>(Restated) |
|---|--|--|--|
| Contract liabilities  | <u><b>1,922,370</b></u>                                    | <u>1,825,999</u>   | <u>2,169,802</u>   |
| Contract receivables (included in trade receivables)  | <u><b>6,231</b></u>  | <u>6,562</u>   | <u>11,555</u>  |
| Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in: |  |  |  |
| – 2018  | N/A  | 86,593   |  |
| – 2019  | <u><b>1,922,370</b></u>                                    | <u>1,739,406</u>   |  |
|   | <u><b>1,922,370</b></u>                                    | <u>1,825,999</u>   |  |

|   | <b>Year ended 31 December</b>  |                                       |
|---|--------------------------------|---------------------------------------|
|   | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
| Revenue recognised in the year that was included in contract liabilities at beginning of year | <u><b>81,960</b></u>           | <u>1,201,313</u>                      |

Significant changes in contract liabilities during the year:

|   | <b>2018</b><br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---|--------------------------------|---------------------------------------|
| Increase due to operations in the year      | <b>212,472</b>                 | 1,043,101                             |
| Transfer of contract liabilities to revenue | <u><b>(116,101)</b></u>        | <u>(1,386,904)</u>                    |

A contract liability is deposits received from sales of properties. It represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Included in balance above is an amount of HK\$639,619,000 (2017: HK\$664,510,000) representing the deposit received from government on 11 April 2014. Handan LT Municipal, a subsidiary of the Group entered into an agreement with local government, in which the local government committed to prepay Handan LT Municipal for construction cost of relocated residence, and in return, Handan LT Municipal will compensate certain residential properties to those originally resident who lived in the site which acquired by Handan LT Municipal for property development.

## 15. CONVERTIBLE BONDS

|                                       | 2018<br><i>HK\$'000</i> | 2017<br><i>HK\$'000</i><br>(Restated) |
|---------------------------------------|-------------------------|---------------------------------------|
| At 1 January                          | 451,873                 | 444,518                               |
| Issue of convertible bonds            | –                       | 450,000                               |
| Expense on issue of convertible bonds | –                       | (10,968)                              |
| Repayment of convertible bonds        | (80,000)                | (385,000)                             |
| Interest charged during the year      | 42,856                  | 50,416                                |
| Interest paid                         | (41,073)                | (100,104)                             |
| Change in fair value                  | 6,707                   | 3,011                                 |
|                                       | <u>380,363</u>          | <u>451,873</u>                        |
| At 31 December                        | <u>380,363</u>          | <u>451,873</u>                        |
| Analysed for reporting purposes as:   |                         |                                       |
| Current liabilities                   | 380,363                 | 77,167                                |
| Non-current liabilities               | –                       | 374,706                               |
|                                       | <u>380,363</u>          | <u>451,873</u>                        |

On 26 January 2017, the Company issued convertible bonds to an independent third party in the principal amount of HK\$450,000,000 (“**2017 Convertible Bonds**”) with a maturity period of three years to 25 January 2020 (“**Maturity Date**”). Net proceeds from the issue shall be solely used to finance the repayment of another convertible bonds to an independent third party in the principal amount of HK\$550,000,000 issued on 10 January 2014. The 2017 Convertible Bonds are denominated in HK\$ and bear interest at 8% per annum. The interests shall be payable semi-annually in arrears, commencing on 30 June 2017. In addition, on the dates when all or a portion of the outstanding 2017 Convertible Bonds were redeemed or if the 2017 Convertible Bonds have not been fully redeemed prior to Maturity Date, on such redemption date or on Maturity Date, as the case may be, the Company shall pay to the bondholders an additional interest in an amount equal to 1% per annum of the principal amount of the 2017 Convertible Bonds so redeemed or matured.

Pursuant to the terms and conditions of the 2017 Convertible Bonds, the Company is required to repay certain amounts of the principal on the first and second anniversary of the date of issue of the 2017 Convertible Bonds. The Company may at any time on or after the date falling the eleventh calendar month after the date of issue and up to the Maturity Date by at least thirty days’ notice in writing to the bondholders redeem the whole or part of the outstanding principal amount of the bonds, provided that the principal amount to be so redeemed on each occasion shall not be less than the lesser of (i) HK\$50,000,000; and (ii) 100% of the then outstanding principal amount of the 2017 Convertible Bonds. Details of the repayment terms and the conditions are set out in the Company’s announcements dated 22 January 2017.

The 2017 Convertible Bonds with principal amount of HK\$450,000,000 can be converted into shares at a conversion price of HK\$3.90 per share up to an aggregate of 30,000,000 shares or a number of shares that represents 8.14% of the then issued share capital of the Company as enlarged by and immediately following the issue of shares upon such conversion, whichever is higher. The details of the terms of conversion and redemption and other terms of the 2017 Convertible Bonds are set out in the announcement issued by the Company on 22 January 2017. At 31 December 2018, the principal amount of convertible bonds with conversion features (“**CB with Conversion Feature**”) was HK\$117,000,000 and convertible bonds without conversion feature (“**Straight Note**”) was HK\$253,000,000.

The 2017 Convertible Bonds are secured by the Company’s shares held by China Lerthai and guaranteed by Mr. Yang.

The convertible bonds have been designated as financial liabilities at FVTPL as they contain more than one non-closely related embedded derivatives. The fair value of the convertible bonds are determined by aggregating the fair value of (i) the Straight Note and (ii) CB with Conversion Feature. The fair value of the Straight Note was calculated as the present value of the contractually determined stream of future cash flows discounted at an interest rate which are determined by referencing the HK\$ Fund Note plus a credit spread by reference to the credit analysis of the Company and the market rate of comparable companies with similar credit ratio. The fair value of CB with Conversion Feature is determined using Binomial Option Pricing Model with the following key inputs.

|                            | <b>At 31 December</b> |               |
|----------------------------|-----------------------|---------------|
|                            | <b>2018</b>           | 2017          |
| Share price of the Company | <b>HK\$6.13</b>       | HK\$5.00      |
| Risk free rates            | <b>1.55%–1.73%</b>    | 1.00%–1.32%   |
| Discount rate              | <b>11.09%–11.27%</b>  | 8.65%–8.97%   |
| Dividend yield             | <b>0%</b>             | 0%            |
| Option life                | <b>1.07 years</b>     | 2.07 years    |
| Volatility                 | <b>27.67%</b>         | 32.23%–33.66% |
| Exercise price             | <b>HK\$3.90</b>       | HK\$3.90      |

The above risk free rates were determined with reference to yields of 0.07 year and 1.07 years HKMA Hong Kong Exchange Fund Bills available as of 31 December 2018 (2017: 0.07 year, 1.07 years, and 2.07 years HKD Hong Kong Sovereign). The expected volatility was determined based on the historical volatility of the Company's share price for the past 0.07 year and 1.07 years (2017: 0.07 year, 1.07 years and 2.07 years).

At 31 December 2018, an increase in discount rate would result in a decrease in the fair value of convertible bonds, and vice versa. If the discount rate is 10% higher and lower while all other variables are held constant, the carrying amount of the convertible bonds would decrease by HK\$2,292,000 (2017: HK\$1,634,000) and increase by HK\$2,336,000 (2017: HK\$1,671,000) respectively.

The fair values of convertible bonds at 31 December 2018 were arrived at on the basis of a valuation carried out on that dates by Unicorn Consulting and Appraisal Limited (2017: Asset Appraisal Limited), an independent qualified professional valuer not connected to the Group. They are categorised as Level 3 under the fair value hierarchy set out in HKFRS 13 Fair Value Measurement. Level 3 fair value measurements are those derived from valuation techniques that include inputs for that asset or liability that are not based on observable market data (unobservable inputs).

## 16. CONVERTIBLE SECURITIES

On 20 April 2018, the Company issued convertible securities to Mr. Yang with the principal amount of HK\$4,000,000,000 ("**2018 Convertible Securities**") as consideration for the acquisition of the entire issued share capital of the Target Companies. The 2018 Convertible Securities has no maturity date, bears a coupon rate of 2% per annum and will cease to bear any coupon after the fifth anniversary of the date of issue. During the first five years, the coupon shall be accrued on the outstanding principal amount of the 2018 Convertible Securities and payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the dates when the relevant coupon fall due by giving notice to the holders. Details of the terms and the conditions of the 2018 Convertible Securities are set out in the Company's circular dated 28 March 2018.

The 2018 Convertible Securities with principal amount of HK\$4,000,000,000 can be converted into shares at a conversion price of HK\$4.5 per share (subject to anti-dilution clauses) up to an aggregate of 888,888,888 shares. At 31 December 2018, the principal amount of the 2018 Convertible Securities was HK\$2,429,000,000.



The 2018 Convertible Securities are issued in HK\$. However, upon issuance of the 2018 Convertible Securities and throughout the period until maturity date, the 2018 Convertible Securities shall be translated at the exchange rate at the date of issuance of RMB1.00 = HK\$1.23965. Any payment in the event of redemption by the Company shall be made in RMB by reference to the exchange rate of RMB1.00 = HK\$1.23965. Any conversion shall be made by reference to the principal amounts stated in HK\$.

The 2018 Convertible Securities contain two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. At the date of the issuance, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts and the fair value of the conversion option for the security holders to convert the notes into equity which is included in equity (equity component of 2018 Convertible Securities) is determined using the Binomial Model.

The fair values of the embedded derivative for conversion rights by the security holders at the date of the issuance are calculated using the Binomial Model. The inputs into the model were as follows:

At 20 April 2018

|                            |                 |
|----------------------------|-----------------|
| Share price of the Company | HK\$4.43        |
| Risk free rates            | 2.10%           |
| Dividend yield             | 0%              |
| Volatility                 | 48.66%          |
| Exercise price             | <u>HK\$4.50</u> |

The fair values of the liability component and equity component for 2018 Convertible Securities at the date of the issuance were as follows:

**HK\$'000**

|                     |                  |
|---------------------|------------------|
| Liability component | 87,951           |
| Equity component    | <u>3,961,106</u> |

The effective interest rate of the liability component is 11.81% for 2018 Convertible Securities at the date of the issuance.

The movement of the liability component of the 2018 Convertible Securities for the year is set out below:

**2018**

**HK\$'000**

|                                       |                |
|---------------------------------------|----------------|
| At 1 January                          | –              |
| Issue of convertible securities       | 87,951         |
| Interest charged during the year      | 6,148          |
| Conversion                            | (32,686)       |
| Effect of foreign exchange difference | <u>(4,969)</u> |
| At 31 December                        | <u>56,444</u>  |

The fair value of the 2018 Convertible Securities at initial recognition were arrived at on the basis of a valuation carried out on those dates by Colliers International (Hong Kong) Company Limited, an independent qualified professional valuer not connected to the Group. They are categorised as Level 3 under the fair value hierarchy set out in HKFRS 13. Level 3 fair value measurements are those derived from valuation techniques that include inputs for that asset or liability that are not based on observable market data (unobservable inputs).

## 17. SHARE CAPITAL

|   | Number of<br>shares       | <i>HK\$'000</i>         |
|---|---------------------------|-------------------------|
| Issued and fully paid ordinary shares:                    |                           |                         |
| At 1 January 2017, 31 December 2017 and 1 January 2018    | 338,765,987               | 498,548                 |
| Issue of shares upon conversion of convertible securities | <u>349,111,097</u>        | <u>1,588,410</u>        |
| At 31 December 2018                                       | <u><u>687,877,084</u></u> | <u><u>2,086,958</u></u> |

## **DIVIDENDS**

The Directors do not recommend the payment of a final dividend for the year (2017: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The current property portfolio comprises five high quality properties, namely, Tangshan Lerthai City, Tangshan Pelagic Mall, Handan Lerthai City, Shijiazhuang Lerthai Centre, and Lerthai Jiayuan. All properties are located in the central business district of Hebei. The categories of the properties include retail business, offices, hotels, and residential units, etc.

### **Review by Segment**

#### *Real Estate Business in Tangshan, the PRC*

##### *Tangshan Lerthai City*

Tangshan Lerthai City, a large-scale mixed use complex, situated in the western part of Tangshan which is adjacent to the Tangshan Highspeed Railway station and BeijingTangshan Inter-city Railway station. This project has a GFA of approximately 8,988,000 sq. ft. comprised residential units, regional retail shopping mall, hotels, commercial offices, entertainment facilities and sports facilities within the mega complexes. Tangshan Lerthai City mainly comprises (i) the Lerthai Centre, a regional shopping mall with a total GFA of approximately 3,106,000 sq. ft.; and (ii) the residential area of a total GFA of approximately 2,022,000 sq. ft. with approximately 1,500 residential units.

The Zones A, B and C of shopping mall of Tangshan Lerthai City has a steady performance. Despite the better shop re-positioning of Zones A and B of the shopping mall of Tangshan Lerthai City, revenue of HK\$198.4 million was recorded in 2018 (2017: HK\$1,401.0 million). The decline in revenue was due to the recognised revenue of the delivered residential units of Towers 4, 6, 7, 8 and 9 in last year while the remaining towers were not yet delivered to the buyers in 2018.

##### *Tangshan Pelagic Mall*

Tangshan Pelagic Mall is a commercial complex with a total GFA of approximately 1,167,000 sq. ft., of which a total GFA of approximately 33,000 sq. ft. have been sold, and the remaining approximately 1,134,000 sq. ft. are held by Tangshan Pelagic for leasing purpose, as well as for the office uses by the Group. Tangshan Pelagic Mall is located in a popular business and entertainment district of Tangshan, Hebei Province surrounded by high-end residential real estate projects of renowned property developers in the PRC. During the year, revenue slightly increased from HK\$219.0 million to HK\$230.3 million.

## ***Real Estate Business in Handan, the PRC***

### ***Lerthai Jiayuan***

The residential project “Lerthai Jiayuan” obtained pre-sale permit in the fourth quarter of 2016 and commenced pre-sale in 2017. The Group received accumulated pre-sale deposits of HK\$1,567.4 million as at 31 December 2018. Deposits were recorded as “Contract liabilities” in the Consolidated Financial Statements. The Group expected that the project will be completed and delivered in the second half of 2019.

### ***Handan Lerthai City on Chuancheng street***

Handan Lerthai City, a large-scale mixed use complex, located at the central business district in Handan City, Chuancheng Street is situated north of Renmin Road, south of Congtai Road, east of Lingxi Street and west of Congtai Park. This project has a planned GFA of approximately 3,037,000 sq. ft. with regional shopping mall, hotels, tourism facilities and mega commercial space.

The regional shopping mall of the Handan Lerthai City is expected to have an official opening in the second half of 2019. Currently, most of the shops have been leased out as various quality tenants are attracted to place their retail presences in the shopping mall and Handan Lerthai City will be another key revenue driver to the Group in the future.

## ***Real Estate Business in Shijiazhuang, the PRC***

Shijiazhuang Lerthai Centre is a commercial complex with a GFA of approximately 5,969,000 sq. ft.. It comprises a tower phase of approximately 2,144,000 sq. ft. and a shopping mall phase of approximately 3,824,000 sq. ft.. The tower phase is served as both offices and hotel purpose while the shopping mall phase comprises shops and car parking lots. Thanks to the stable performance of the shopping mall and car parks, revenue increased 13.6% to HK\$465.5 million in 2018.

## ***Disposal of Real Estate Business in the US – South Hills Plaza and Lerthai Platinum Centre***

In February 2019, we completed the disposal of LT International Investment Holdings Limited which holds two properties in the US and the sale loan for a total consideration of HK\$247.4 million. Details of the disposal have been disclosed in the circular of the Company dated 14 January 2019.

The disposals are in line with the Groups’ strategy to improve operational efficiency and performance of the portfolio and create value to our shareholders. The group will continue to review the mix and diversity, and enhance the performance of the portfolio.

## ***Financial Services Businesses***

Through its wholly owned subsidiaries, LERTHAI Securities (Hong Kong) Limited which holds Type-1 and Type-2 licenses, and LERTHAI Asset Management Limited, holds Type-4 and Type-9 licenses from the Securities and Futures Commission of Hong Kong, the Company has been developing a vibrant business in securities, futures and asset management.

In August 2017, Lerthai Global Commercial Real Estate Fund SPC, a segregated portfolio Company, was incorporated in Cayman Islands. Since its setup, Lerthai Global Commercial Real Estate Fund SPC has established three segregated portfolios to invest in commercial real estates in mainland China. These three segregated portfolios are: China Handan Lerthai Commercial Real Estate Fund SP, China Shijiazhuang Lerthai Commercial Real Estate Fund SP, and China Tangshan Lerthai Oceancity Commercial Real Estate SP. LERTHAI Asset Management Limited was appointed as investment manager for China Handan Lerthai Commercial Real Estate Fund SP.

During 2018, LERTHAI Asset Management Limited established Lerthai Equity Investment Fund Management (Shenzhen) Co., Ltd. (勒泰股權投資基金管理（深圳）有限公司) in Qianhai, Shenzhen, under the Qualified Foreign General Partner (“GFGP”) (合格境外普通合伙人) scheme. Lerthai Equity Investment Fund Management (Shenzhen) Co., Ltd. aims at providing an efficient channel for overseas investors to invest in commercial real estate assets that benefit from the prosperous new retail and trading-up consumption in mainland China.

## **FINANCIAL REVIEW**

During the year under review, total revenue of the Group was HK\$909.9 million (2017: HK\$2,043.2 million) (restated). The decrease in revenue for the year ended 31 December 2018 was mainly due to most of the residential units of Tangshan Lerthai City were delivered and recognised as revenue in the corresponding period last year and the remaining towers not yet delivered to the buyers, offset by the increase in rental revenue derived from rental revenue for Tangshan Pelagic Mall and Shijiazhuang Lerthai Centre as a result of the Group’s acquisition of Lerthai International and Greatpro in April 2018.

Other income, expenses, gains and losses increased to net gain of HK\$73.6 million for the year (2017: HK\$42.4 million) (restated). The increase was primarily due to the increase in exchange gain during the year.

The Group recorded an increase of fair value of the investment properties of HK\$1,387.7 million (2017: HK\$1,191.3 million) (restated), contributed by the capital appreciation of Lerthai Tangshan Lerthai City, Tangshan Pelagic Mall and Handan Lerthai City during the year.

Selling and marketing expenses decreased to HK\$17.4 million (2017: HK\$41.6 million) (restated). Since most of the pre-sale activities of Tangshan Lerthai City were completed in 2017, the related promotion activities had been downsized.

Administrative expenses amounted to HK\$175.3 million (2017: HK\$185.3 million) (restated) which mainly comprised of staff costs, rental and management fee for office premises and legal and professional fee. The increase was primarily due to the professional fee incurred for the acquisition of Lerthai International and Greatpro during the year.

Finance costs recognised as expenses for the year were HK\$792.0 million (2017: HK\$716.1 million) (restated). The increase was mainly due to the interest charged for certain banking facilities, which was drawdown in the second half of 2017.

As a result of the various factors outlined above, the profit for the year attributable to owners of the Company was HK\$709.7 million (2017: HK\$585.1 million) (restated).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2018, the Group's cash and cash equivalents maintained at HK\$184.1 million (2017: HK\$396.4 million) (restated). The current ratio was 0.53 times (2017: 0.58 times) (restated) as at 31 December 2018.

The Group's gearing ratio was 46.4% (2017: 45.5%) (restated), which is calculated based on the Group's total interest bearing borrowings of HK\$12.4 billion (2017: HK\$12.6 billion) (restated) to total assets of HK\$26.7 billion (2017: HK\$27.7 billion) (restated).

Subsequent on 28 March 2019, a bank borrowing amounting of HK\$1,251,750,000 had been reclassified from current liabilities to non-current liabilities. The following table reconciles the Group's liabilities to its most updated position up to the date of approval of these financial statements.

|  | <b>2018</b>        | <b>Reclassification</b> | <b>Subsequent on</b> |
|--|--------------------|-------------------------|----------------------|
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>         | <b>28 March</b>      |
|  |                    |                         | <b>2019</b>          |
|  |                    |                         | <i>Hk\$'000</i>      |
| <b>Current liabilities</b>                   |                    |                         |                      |
| Bank and other borrowings                    | 1,915,517          | (1,251,750)             | 663,767              |
| Other current liabilities                    | 5,724,485          | (39,062)                | 5,685,423            |
|  | <u>7,640,002</u>   | <u>(1,290,812)</u>      | <u>6,349,190</u>     |
| <b>Total current liabilities</b>             |                    |                         |                      |
|  | <u>(3,556,216)</u> | <u>1,290,812</u>        | <u>(2,265,404)</u>   |
| <b>Net current liabilities</b>               |                    |                         |                      |
|  | <u>19,035,343</u>  | <u>1,290,812</u>        | <u>20,326,155</u>    |
| <b>Total assets less current liabilities</b> |                    |                         |                      |
| <b>Non-current liabilities</b>               |                    |                         |                      |
| Bank and other borrowings                    | 9,892,573          | 1,251,750               | 11,144,323           |
| Other non-current liabilities                | 3,050,533          | 39,062                  | 3,089,595            |
|  | <u>12,943,106</u>  | <u>1,290,812</u>        | <u>14,233,918</u>    |
| <b>Total non-current liabilities</b>         |                    |                         |                      |

## CASH FLOW MANAGEMENT AND LIQUIDITY RISK

The objective of liquidity risk management is to ensure that the Group always has sufficient cash to repay its maturing debt, perform other payment obligations and meet other funding requirements for normal business development.

The Group's liquidity management involves the regular cash flow forecast and the consideration of its liquid assets level and new financings necessary to meet future cash flow requirements.

With banking and controlling shareholder's facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

## FOREIGN EXCHANGE EXPOSURE

The Group's investment, assets and liabilities are mainly denominated in Hong Kong dollar ("HK\$"), Renminbi ("RMB"), Euros ("EUR") and United States dollar ("US\$") and no hedging has been made during the year. The revenue generated from the the Group's business operations in the PRC was denominated in RMB, while the convertible bonds, senior notes and bonds of the Group are denominated in HK\$ and a bank borrowing is denominated in EUR. The Group will continue to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risks when necessary.

## **CHARGE OF ASSETS**

As at 31 December 2018, the Group's facilities and other loans of HK\$9.6 billion (2017: HK\$10.0 billion) (restated) were pledged with investment properties, properties under development for sales and pledged bank deposits with an aggregate carrying amount of HK\$22.9 billion (2017: HK\$22.7 billion) (restated).

## **CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2018, the Group's contingent liabilities amounted to HK\$853.2 million (2017: HK\$669.4 million)(restated) relating to guarantees given by the Group to financial institutions on behalf of our purchasers of our property units in the PRC in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2018 (and such guarantees will be released upon the issuance of the Building Ownership Certificate). The guarantees were secured by the Group's pledged bank deposits amounting to HK\$33.9 million (2017: HK\$31.4 million) (restated).

As at 31 December 2018, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties and third parties with an aggregate amount of HK\$707.5 million (2017: HK\$2,397.8 million) (restated). The amount represents the aggregate amount that could be required to be paid if the guarantees were called upon in entirety.

As at 31 December 2018, the Group had contracted but not provided for commitments for development cost and capital expenditure in amount of HK\$1,381.8 million (2017: HK\$1,285.4 million) (restated).

## **EMPLOYEE AND REMUNERATION POLICY**

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include mandatory provident fund, medical insurance and performance related bonus. The Group has adopted the share award scheme and share option scheme as part of the long term incentives for the employees.

As at 31 December 2018, the Group had 267 employees (2017: 352 employees). Total staff costs for the year amounted to HK\$77.7 million (2017: HK\$108.5 million) (restated), which comprised (i) Directors' remuneration of HK\$7.7 million (2017: HK\$6.2 million) (restated) and (ii) staff costs (other than Directors' remuneration) of HK\$70.0 million (2017: HK\$102.3 million) (restated).



## **PROPERTY VALUATION**

The Group's investment properties located in the USA and the PRC were revalued as at 31 December 2018 by independent qualified professional valuers, Continental Realty Advisors and RHL Appraisal Limited respectively. The valuations were based on income capitalisation approach and residual method by making reference to comparable market information as available in the relevant markets.

For investment properties under development, the valuation has also taken into account the construction costs expended and to be expended to complete the development.

The Group's investment properties were valued at HK\$20.7 billion as at 31 December 2018 (2017: HK\$20.9 billion) (restated), an increase in fair value of HK\$1,387.7 million (2017: HK\$1,191.3 million) (restated) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

## **ISSUE OF CONVERTIBLE SECURITIES**

On 20 April 2018, the Company issued the convertible securities to Mr. Yang with the principal amount of HK\$4,000,000,000 as consideration for the acquisition of the entire issued share capital of Lerthai International and Greatpro. The convertible securities has no maturity date, bears a coupon rate of 2% per annum and will cease to bear any coupon after the fifth anniversary of the date of issue. During the first five years, the coupon shall be accrued on the outstanding principal amount of the convertible securities and payable annually subject to the Company's sole discretion to defer the coupon payment for a maximum period of 10 years from the dates when the relevant coupon fall due by giving notice to the holders.

The convertible securities with principal amount of HK\$4,000,000,000 can be converted into shares at a conversion price of HK\$4.5 per share (subject to anti-dilution clauses) up to an aggregate of 888,888,888 shares.

The convertible securities are issued in HK\$. However, upon issuance of the convertible securities and throughout the period until maturity date, the convertible securities shall be translated at the exchange rate at the date of issuance of RMB1.00 = HK\$1.23965. Any payment in the event of redemption by the Company shall be made in RMB by reference to the exchange rate of RMB1.00 = HK\$1.23965. Any conversion shall be made by reference to the principal amounts stated in HK\$.

Details of the convertible securities are set out in the Company's announcements dated 20 March 2018 and the Company's circular dated 28 March 2018.

## **PROSPECT**

The PRC economy has steered into a high-quality development stage from high-speed growth. The central government will persist to the keynote of seeking progress while maintaining stability and continue to deepen the supply-side structural reform. It is devoted to deepening the reforms in the fundamental and key areas and supporting the development of private enterprises. Meanwhile, it will adopt proactive fiscal policies and prudent and neutral monetary policies to promote the economic systemic reform and foster new drivers to economic growth. It is expected that China's macro-economy will maintain a steady growth in 2019. However, trade protectionism, US interest rate hikes, tightened monetary policies, geopolitical risks and other uncertainties will still bring challenges to global economic growth.

Leveraging our outstanding performance in shopping mall operation and management, we believe the shopping mall performance in our current investment portfolio will continue to drive our revenue growth. Due to our resilient and stable business nature, Lerthai is well-prepared to withstand the potential turmoil in the market. We will continue to seize the opportunities in economic growth, policy and other aspects, sustain in strengthening our core competitiveness, enhance our operation capacity and profitability and share the development results with the society to shoulder the responsibilities together in promoting the urban construction and people's happiness with business development.

Under the trend of new retail and intelligence empowerment, Lerthai will have in-depth connection with technologies, and strive to achieve stable development with leading commercial real estate operation models. In addition, we will continue to strengthen our current investment portfolio, continue to prudently explore acquisition opportunities. We will enhance our investment portfolio through the acquisition of quality assets or assets that are poorly managed but possess sufficient development potential, constantly review the diversified investment portfolio and closely monitor the performance of the investment portfolio. In addition to the commercial real estate projects in Hebei Province, the Group will also seek potential investment opportunities in tier-1 and tier-2 cities and overseas markets. We are cautiously optimistic about the upcoming macroeconomic environment and are committed to promoting the revenue growth on a solid foundation of our investment portfolio and maximising the long-term value for stakeholders and shareholders.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 26 June 2019 (the "2019 Annual General Meeting"), the register of members of the Company will be closed from Friday, 21 June 2019 to Wednesday, 26 June 2019, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's registrar and transfer office, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 20 June 2019.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises all three independent non-executive Directors, namely Mr. Wong Tat Keung (chairman of the Audit Committee), Mr. Wan Kah Ming and Mr. Wong Hon Kit. The Company’s annual results for the year have been reviewed by the Audit Committee.

## **EVENTS AFTER THE REPORTING PERIOD**

On 23 October 2018, the Company entered into a sale and purchase agreement (the “**Agreement**”) with Mr. Yang to sell the entire issued share capital in LT International Investment Holdings Limited (“**LT International Investment**”), and the sale loan (“**Sale Loan**”) represents all obligations, liabilities and debts owing or incurred by LT International Investment to the Company for a total consideration of HK\$247,369,000. LT International Investment, through its wholly-owned subsidiaries, LTG Platinum LLC and LTG South Hills LLC, was principally engaged in properties development and investment in the USA. Such disposal had been subsequently approved by the independent shareholders of the Company at the extraordinary general meeting on 30 January 2019. The Disposal was completed on 4 February 2019 and an aggregated principal amount of HK\$239,569,000 of the promissory note have been issued by Mr. Yang to the Company.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, 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 auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2018. The work performed by ZHONGHUI ANDA CPA 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 HKICPA and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## **AUDIT OPINION FROM ZHONGHUI ANDA CPA LIMITED**

ZHONGHUI ANDA CPA Limited has expressed an unqualified opinion on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018.

## **MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN**

We draw attention to the consolidated financial statements which mentions that as at 31 December 2018, the Group had net current liabilities of HK\$3,556,216,000. The cash and bank balances is decreased from HK\$396,397,000 to HK\$184,107,000. In addition, the Group has capital commitments of HK\$589,937,000 and other commitments of HK\$791,938,000 as disclosed in note to the consolidated financial statements.

The Group's ability to continue as a going concern is dependent on the ongoing availability of finance supports to the Group, including the credit facility from its immediate holding company and ultimate controlling party and the continued support of the Group's bankers. If these finance supports were not available, the Group may be unable to meet its financial obligations as and when they fall due. These conditions, indicate a material uncertainty which 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.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standards of corporate governance in order to ensure high transparency and protection of interests of the shareholders and the Company as a whole. The Company has adopted the code provisions and certain recommended best practices (with amendments from time to time) as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the year. None of the Directors was aware of any information that would reasonably indicate that the Company was during the year in compliance with the code provisions of the CG Code, except for the deviations as follows:

Under code provision A.1.1 of the CG Code, which requires that regular board meetings should be held at least four times a year. The Board met regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company as well as on an ad hoc basis, as required by business needs. During the year ended 31 December 2018, the Board did not have any material issues need to discuss and met three times of which two were regular Board meetings and make timely decision on corporate affairs from time to time via written resolutions signed by Directors. The Company will endeavour to hold at least four regular Board meetings, at approximately quarterly intervals, during the year ending 31 December 2019.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yang Longfei was appointed as the chairman (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**") on 28 February 2013 and 20 March 2014 respectively. Before Ms. Zhang Yan's appointment as the Co-CEO on 27 December 2018, the Group did not separate the roles of the Chairman and the CEO. The Board considered that Mr. Yang had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group, therefore, the roles of Chairman and CEO by the same individual, Mr. Yang, was beneficial to the business prospects and management of the Group.

Under Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee of every listed issuer must comprise a minimum of three members. After Mr. Hung Ka Hai

Clement's resignation on 30 September 2018 and before the new appointment on 27 December 2018, the Board and audit committee of the Company comprised only two independent non-executive Directors.

Save as the above, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the “**Model Code**”) to the Listing Rules as a code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

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

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

## **PUBLIC FLOAT**

As at the date of this announcement, the Company has maintained the minimum requirement for public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S AND COMPANY'S WEBSITE**

The Company's annual report for the year ended 31 December 2018 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under “Latest Listed Company Information” and on the website of the Company at <http://www.lerthai.com.hk> under “Investor Relations” in due course.

By order of the Board of  
**Lerthai Group Limited**  
**Yang Longfei**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 March 2019

*As at the date of this announcement, the executive Directors are Mr. Yang Longfei and Ms. Zhang Yan and the non-executive Director is Mr. Yang Shao Ming and the independent non-executive Directors are Mr. Wan Kah Ming, Mr. Wong Hon Kit and Mr. Wong Tat Keung.*

*Website of the Company: <http://www.lerthai.com.hk>*