四海國際集團有限公司
Cosmopolitan International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 120)

ANNOUNCEMENT OF 2018 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2018 HK$'M	Year 2017 HK$'M	% Change
Revenue from continuing operations	**2,147.3**	830.1	**+158.7%**
Gross profit from continuing operations	**550.1**	88.8	**+519.5%**
Operating profit before depreciation, finance costs and tax from continuing operations	**438.2**	133.8	**+227.5%**
Profit for the year attributable to equity holders of the parent	**201.9**	13.7	**+1,373.7%**
Basic earnings per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK 2.99 cents**	HK 0.21 cent	**+1,323.8%**

	As at 31st December, 2018 (Unaudited)	 2017 (Unaudited)	
Net asset value per share (including ordinary share and convertible preference share) attributable to equity holders of the parent	**HK$0.21**	HK$0.19	**+10.5%**

- **Gross profit from continuing operations amounted to HK$550.1 million, which is more than 5 times above the HK$88.8 million in 2017.**

- **Operating profit before depreciation, finance costs and tax from continuing operations amounted to HK$438.2 million, which is more than 2 times above the HK$133.8 million in 2017.**

- **Achieved profit attributable to shareholders of HK$201.9 million, representing an increase of more than 13 times over the HK$13.7 million attained in 2017.**

- **The significant increase in the profit achieved for the year was principally attributable to the profit realised on the completed sales of the residential units in the development project in Tianjin, the PRC.**

- **The two ongoing development projects of the Group in China, namely, the Regal Cosmopolitan City in Chengdu and the Regal Renaissance in Tianjin, are both progressing satisfactorily.**

- **The construction works for the ten remaining residential towers comprised in the third stage of the Regal Cosmopolitan City in Chengdu are progressing steadily and the presale of the residential units in two of the residential towers has recently been launched.**

- **Most of the units in the four residential towers within the Regal Renaissance development project in Tianjin have been sold and the profits achieved by the Group for the year were primarily attributable to the profit contribution from these unit sales. While certain parts of the commercial complex, which was formally opened in December 2018, have been leased out for rental income, contracts for sale have been secured for some of the shop units. The construction works for the two office towers are expected to be resumed in the second quarter of 2019 and presale programme of the office accommodations is planned to be launched before the end of this year.**

- **The negotiations with the counterparties with respect to the detailed terms of the Group's proposed joint venture investment in the logistics services provider in China, first announced in August 2018, are still ongoing and further announcements will be made as and when the investment proposals are finalised.**

- **The presale of the units in the two residential towers comprised within the third stage of the Regal Cosmopolitan City in Chengdu has been progressing satisfactorily, commanding unit prices well above the average selling price fetched in the earlier sale of the residential units in the first and second stages of the development. If all the residential units in the third stage of the development are sold at the current going price level, substantial cash flow and development profits will be generated for the Group.**
- **The Group will continue to work on appropriate investment opportunities that can serve to expand its business and earnings base.**

FINANCIAL RESULTS

For the year ended 31st December, 2018, the Company achieved profit attributable to shareholders of HK$201.9 million, representing an increase of more than 13 times over the HK$13.7 million attained in 2017.

As mentioned in the profit alert announcement published by the Company on 20th March, 2019, the significant increase in the profit achieved for the year was principally attributable to the profit realised on the completed sales of the residential units in the development project in Tianjin, the People's Republic of China.

BUSINESS OVERVIEW

The Group's core business activities will continue to be focused in China and, in particular, the two ongoing development projects in Chengdu, Sichuan Province and in Tianjin.

During the year under review, the Gross Domestic Product (GDP) of China grew by 6.6% over 2017. The growth in the GDP of China has however notably moderated from 6.8% in the first quarter to 6.4% in the fourth quarter of 2018, which to certain extent reflected the adverse impact on the economy caused by the trade disputes between the United States and China, with the mutual imposition of trade tariffs beginning in July 2018. Faced with the challenges emanating from the increased uncertainties and complications in the external economic environment, it is generally expected that the Central Government of China will initiate policies and measures to stimulate domestic demands, with an aim to maintaining economic growth. Recently, the Central Government has set a target for the economy of China to grow by 6-6.5% in 2019. Although this targeted growth rate may be low as compared to the growth trend of China over the past two decades, it is already a high benchmark as compared to those of other major countries.

Following the introduction of a series of stringent restrictive policies to deter speculative activities, the property market in China as a whole started to cool down in the latter part of 2018. It is expected that the policies of the Central Government will continue to be tilted towards the maintenance of stability in the overall property market, particularly in the residential sector. Under this environment, the overall volume of property transactions in 2019 may see some contraction as compared to the levels in 2018 but the market consolidation effects will likely be less significant in the first and second tier cities due to the strong underlying demands.

As regarding the two ongoing development projects of the Group in China, namely, the Regal Cosmopolitan City in Chengdu and the Regal Renaissance in Tianjin, they are both progressing satisfactorily.

Nearly all of the residential units in the nine residential towers in the first and second stages of the Regal Cosmopolitan City development project have been sold and handed over to the purchasers. Most of the profits realised from these unit sales have been reflected in the results of the Group in the preceding year and a minority portion accounted for in the year under review. The construction works for the ten remaining residential towers comprised in the third stage of the development project are progressing steadily and the presale of the residential units in two of the residential towers has recently been launched. In the meanwhile, the business remodeling works of the hotel have been completed and the hotel is now scheduled to be opened in phases from the first half of 2020.

As reported earlier, most of the units in the four residential towers within the Regal Renaissance development project have been sold and handed over to the purchasers during the year. The profits achieved by the Group for the year under review were primarily attributable to the profit contribution from these unit sales. The commercial complex was formally opened in December 2018. While certain parts of the commercial complex have been leased out for rental income, contracts for sale have been secured for some of the shop units. The construction works for the two office towers are expected to be resumed in the second quarter of 2019 and presale programme of the office accommodations is planned to be launched before the end of this year.

Further detailed information on these two development projects as well as the reforestation and land grant project in Urumqi, Xinjiang is contained in the section headed “Management Discussion and Analysis” in this announcement.

As mentioned in the 2018 Interim Report of the Company, the Group entered into a Deposit Agreement in August 2018 in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in China. Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70 million to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible joint venture investment. Following further negotiations with the vendor, the Group has agreed to increase the deposit under the Deposit Agreement from RMB70 million to RMB170 million and to grant loan facilities to the target investee company in an aggregate loan amount of RMB150 million. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee company and certain associates of the vendor. Further details regarding the further deposit paid and the terms of the loan facilities granted were contained in the circular to shareholders of the Company dated 22nd October, 2018.

The negotiations with the vendor on the detailed terms of the proposed joint venture investment are still ongoing and further announcements will be made as and when the investment proposals are finalised.

OUTLOOK

The presale of the units in the two residential towers comprised within the third stage of the Regal Cosmopolitan City in Chengdu has been progressing satisfactorily, commanding unit prices well above the average selling price fetched in the earlier sale of the residential units in the first and second stages of the development. If all the residential units in the third stage of the development are sold at the current going price level, substantial cash flow and development profits will be generated for the Group.

The Group will continue to work on appropriate investment opportunities that can serve to expand its business and earnings base.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in property development and investment and other investments, which are mainly focused in the PRC, and investment in financial assets.

The operating performance of the Group's property and other investment businesses during the year under review and future prospects are contained in the sections headed "Business Overview" and "Outlook" above as well as in this sub-section.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the above section headed "Business Overview" and this sub-section.

A brief review on the property projects currently undertaken by the Group in the PRC is set out below.

Property Development

Chengdu Project – Regal Cosmopolitan City

Located in the Xindu District in Chengdu, Sichuan Province, the project is a mixed use development consisting of residential, hotel, commercial and office components, with an overall total gross floor area of approximately 495,000 square metres (5,330,000 square feet).

While the nine residential towers in the first and second stages of the Chengdu project have been completed, the construction works of the third stage of the development consisting of ten residential towers of total 1,555 units, about 4,100 square metres (44,100 square feet) of commercial accommodations and 1,941 car parking spaces are in steady progress. Presale of two residential towers consisting of 314 units in the third stage of the development has recently been launched.

The business remodeling works of the hotel have been completed and corresponding interior design works are progressing. The mechanical and electrical installation works on site are also in steady progress. The interior fitting-out works are scheduled to commence in mid 2019 and the hotel is scheduled to open in phases from the first half of 2020.

The updated scheme design of the remaining commercial components within the development, comprising a six-storey commercial complex of about 48,000 square metres (516,700 square feet) and five towers of office accommodations of about 90,500 square metres (974,100 square feet), have been approved by the local authority and the detailed design work has also commenced. The construction works are planned to be started in late 2019 and the associated presale programme will be launched in late 2020.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project is a mixed use development comprising residential, commercial and office components with total gross floor area of about 145,000 square metres (1,561,000 square feet).

The construction works of the four residential towers, the commercial complex and the associated car parking spaces have been completed. Most of the residential units and car parking spaces sold have been handed over to the individual purchasers in the first half of 2018. The sale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), is continuing steadily and contracts for sale have been secured for some of the shop units. Certain parts of the commercial complex have in the meantime been leased out for rental income. Grand opening of the commercial complex was launched in December 2018.

As the negotiation with the local government over the configuration design of the office space was in smooth progress, the superstructure works of the two office towers are expected to be resumed in the second quarter of 2019. The presale programme of the office accommodations is planned to be launched in the fourth quarter of 2019.

Xinjiang Project

This is a re-forestation and land grant project for a land parcel with site area of about 7,600 mu in accordance with the relevant laws and policies in Urumqi, Xinjiang Uygur Autonomous Region. The Group has re-forested an aggregate area of about 4,300 mu within the project site and in accordance with the relevant government policies of Urumqi, a parcel of land with an area of about 1,843 mu (equivalent to approximately 1,228,700 square metres) within the project site would be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Group continues to maintain the re-forested area and communicate with the relevant government authority to initiate appropriate measures to settle the disputes over certain portions of the land in the project site that have been illegally occupied. Based on the legal advice obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective.

FINANCIAL REVIEW

ASSETS VALUE

As at 31st December, 2018, the Group's net assets attributable to equity holders of the parent amounted to HK$1,413.1 million, representing approximately HK$0.21 per share (including ordinary share and convertible preference share).

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Cash balances are mostly placed on bank deposits, and treasury and yield enhancement products are deployed when circumstances are considered to be appropriate.

The acquisition of the two ongoing development projects in the PRC in 2013 had been financed by the vendors by way of deferred payment of the considerations payable for a period of 3 years, subject to the terms of the relevant sale and purchase agreements. With an objective to align the due dates of the considerations payable with the latest progress and completion schedules of the two development projects, by virtue of the agreements entered into between the Group and the vendors and completed in 2016, (i) the consideration payables owing to one of the vendors were refinanced by new 5-year loan facilities, and (ii) the consideration payable owing to the other vendor was repaid through its subscription of the optional convertible bonds issued by the Group.

Construction and related costs for the property projects for the time being are principally financed by internal resources and proceeds from the presale of the units. Project financing may be arranged on appropriate terms to cover a portion of the land cost and/or the construction cost, with the loan maturity matching with the estimated project completion date.

Cash Flows

Net cash flows generated from operating activities during the year under review amounted to HK$0.7 million (2017 – HK$779.5 million). Net interest payment for the year amounted to HK$80.2 million (2017 – HK$96.8 million).

Borrowings and Gearing

As at 31st December, 2018, the Group had cash and bank balances and deposits of HK$336.2 million (2017 – HK$668.0 million) and the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, amounted to HK$1,914.4 million (2017 – HK$1,346.2 million).

As at 31st December, 2018, the gearing ratio of the Group was 41.3% (2017 – 23.0%), representing the Group's borrowings including convertible bonds, net of cash and bank balances and deposits, of HK$1,914.4 million (2017 – HK$1,346.2 million), as compared to the total assets of the Group of HK$4,638.6 million (2017 – HK$5,855.3 million).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2018 are shown in the consolidated financial statements ("Financial Statements") contained in the annual report of the Company for the year ended 31st December, 2018 (the "2018 Annual Report") to be published on or before 30th April, 2019.

Pledge of Assets

The Group's equity interests in the relevant holding companies of the Group's property development projects were pledged to secure the other borrowings and the related interest payable in respect of a loan facility from a fellow subsidiary.

Capital Commitments

Details of the capital commitments of the Group as at 31st December, 2018 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2018 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved not to recommend the payment of a final dividend for the year ended 31st December, 2018 (2017 – Nil). No interim dividend was paid for the year ended 31st December, 2018 (2017 – Nil).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Monday, 3rd June, 2019. The Notice of the Annual General Meeting will be published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company and sent to the shareholders of the Company, together with the Company's 2018 Annual Report, in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 Annual General Meeting, the Register of Ordinary Shareholders of the Company will be closed from Wednesday, 29th May, 2019 to Monday, 3rd June, 2019, both days inclusive, during which period no transfers of ordinary shares will be effected. In order to be entitled to attend and vote at the 2019 Annual General Meeting, all transfers of ordinary shares and/or conversions of the convertible securities, duly accompanied by the relevant share certificates and/or the certificates of the convertible securities, together with, where appropriate, the relevant conversion notices, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 28th May, 2019.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2018 HK$'M	Year ended 31st December, 2017 HK$'M
CONTINUING OPERATIONS		
REVENUE (Notes 2 & 3)	**2,147.3**	830.1
Cost of sales	**(1,597.2)**	(741.3)
Gross profit	**550.1**	88.8
Other income (Note 3)	**22.6**	17.7
Fair value gains upon reclassification of properties held for sale to investment properties	**2.7**	–
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**(29.2)**	52.7
Write-back of impairment loss on property under development	**–**	57.0
Property selling and marketing expenses	**(27.9)**	(24.2)
Administrative expenses	**(80.1)**	(58.2)
OPERATING PROFIT BEFORE DEPRECIATION	**438.2**	133.8
Depreciation	**(9.1)**	(12.3)
OPERATING PROFIT (Note 2)	**429.1**	121.5
Finance costs (Note 4)	**(112.6)**	(79.1)
Share of loss of a joint venture	**–**	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**316.5**	42.4
Income tax (Note 5)	**(114.6)**	(25.6)
Profit for the year from continuing operations	**201.9**	16.8
DISCONTINUED OPERATION		
Loss for the year from a discontinued operation (Note 11)	**–**	(5.0)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**201.9**	11.8

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2018	**Year ended 31st December, 2017**
	HK$'M	**HK$'M**
Attributable to:		
Equity holders of the parent		
- For profit from continuing operations	**201.9**	16.8
- For loss from a discontinued operation	**–**	(3.1)
- For profit for the year	**201.9**	13.7
Non-controlling interests	**–**	(1.9)
	201.9	11.8
EARNINGS/(LOSS) PER SHARE (INCLUDING ORDINARY SHARE AND CONVERTIBLE PREFERENCE SHARE) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 7)		
Basic		
- For profit from continuing operations	**HK 2.99 cents**	HK 0.25 cent
- For loss from a discontinued operation	**N/A**	HK (0.04) cent
- For profit for the year	**HK 2.99 cents**	HK 0.21 cent
Diluted		
- For profit from continuing operations	**HK 2.76 cents**	HK 0.25 cent
- For loss from a discontinued operation	**N/A**	HK (0.04) cent
- For profit for the year	**HK 2.76 cents**	HK 0.21 cent

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2018 HK$'M	Year ended 31st December, 2017 HK$'M
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**201.9**	11.8
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(101.4)**	145.1
Reclassification adjustment on disposal of foreign operations	**–**	1.6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**100.5**	158.5
Attributable to:		
Equity holders of the parent	**100.5**	159.6
Non-controlling interests	**–**	(1.1)
	100.5	158.5

Consolidated Statement of Financial Position

	31st December, 2018	31st December, 2017
	HK$'M	HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**1.8**	11.0
Investment properties	**134.5**	–
Properties under development	**905.7**	1,312.5
Investment in a joint venture	**2.4**	2.4
Deposits and prepayments (Note 8)	**280.8**	81.1
Goodwill	**235.1**	235.1
Total non-current assets	**1,560.3**	1,642.1
CURRENT ASSETS		
Properties under development	**1,705.8**	2,934.9
Properties held for sale	**638.3**	215.0
Loans receivable (Note 9)	**170.8**	–
Deposits, prepayments and other assets (Note 8)	**49.5**	188.4
Financial assets at fair value through profit or loss	**177.7**	206.9
Restricted cash	**6.5**	71.5
Time deposits	**4.8**	31.2
Cash and bank balances	**324.9**	565.3
Total current assets	**3,078.3**	4,213.2
CURRENT LIABILITIES		
Creditors and accruals	**(323.9)**	(254.6)
Other borrowings (Note 10)	**(267.3)**	(60.0)
Contract liabilities	**(257.4)**	–
Deposits received	**(0.7)**	(1,889.5)
Tax payable	**(54.7)**	(44.2)
Total current liabilities	**(904.0)**	(2,248.3)
NET CURRENT ASSETS	**2,174.3**	1,964.9
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,734.6**	3,607.0

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2018	31st December, 2017
	HK$'M	HK$'M
NON-CURRENT LIABILITIES		
Creditors and accruals	**(29.0)**	(29.2)
Deposits received	**(1.6)**	–
Other borrowings (Note 10)	**(1,062.0)**	(1,062.0)
Convertible bonds	**(921.3)**	(892.2)
Deferred tax liabilities	**(307.6)**	(311.0)
Total non-current liabilities	**(2,321.5)**	(2,294.4)
Net assets	**1,413.1**	1,312.6
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**13.5**	13.5
Reserves	**1,399.6**	1,299.1
	1,413.1	1,312.6
Non-controlling interests	**–**	–
Total equity	**1,413.1**	1,312.6

Notes:

1. Basis of Preparation and Accounting Policies

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

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

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

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the Group's consolidated financial statements.

Impact of HKFRS 9 *Financial Instruments*

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

(i) Classification and measurement

The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the Group's financial instruments.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the general approach and records twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. Upon adoption of the HKFRS 9, there are no significant differences between the Group's aggregate opening balance of impairment allowances under HKAS 39 and the expected credit loss allowances under HKFRS 9.

Impact of HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1st January, 2018.

The adoption of HKFRS 15 has had no significant impact on the opening balance of accumulated losses as at 1st January, 2018. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which the relevant financial statement line items were affected as at 1st January, 2018 as a result of the adoption of HKFRS 15:

	Note	Increase/ (decrease) HK$'M
Assets		
Properties under development	(i)	124.4
Liabilities		
Contract liabilities	(i)	2,007.1
Deposits received	(i)	(1,882.7)
Total liabilities		124.4

The adoption of HKFRS 15 has had no impact on the Group's operating, investing and financing cash flows.

The nature of the adjustments as at 1st January, 2018 is described below:

(i) Significant financing component for sales of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as receipts in advance under deposits received in the consolidated statement of financial position. No interest was accrued on the long-term advances received under the previous accounting policy.

Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. The adoption of HKFRS 15 has had no significant impact on the opening balance of accumulated losses as at 1st January, 2018. Significant financing component on the sales proceeds received in advance directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, is capitalised as part of the cost of those assets. Advance payments from customers that were previously classified under deposits received have been reclassified to contract liabilities as at 1st January, 2018.

2. Operating Segment Information

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

(a) the property development and investment segment comprises the development and sale of properties and the leasing of properties; and

(b) the financial assets investments segment engages in trading of financial assets at fair value through profit or loss and other financial assets investments.

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

Segment assets exclude loans receivable, investment deposits, restricted cash, time deposits, cash and bank balances, tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2018 and 2017:

	Property development and investment		Financial assets investments		Consolidated	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	HK$'M	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**
Segment revenue (Note 3):						
Sales to external customers	2,140.7	825.9	6.6	4.2	2,147.3	830.1
Segment results before depreciation	468.1	84.1	(22.6)	56.8	445.5	140.9
Depreciation	(8.7)	(11.9)	–	–	(8.7)	(11.9)
Segment results	459.4	72.2	(22.6)	56.8	436.8	129.0
Unallocated interest income and unallocated non-operating and corporate gains					21.9	17.7
Unallocated non-operating and corporate expenses					(29.6)	(25.2)
Operating profit					429.1	121.5
Finance costs	(53.5)	(19.3)	–	–	(53.5)	(19.3)
Unallocated finance costs					(59.1)	(59.8)
Profit before tax from continuing operations					316.5	42.4
Income tax					(114.6)	(25.6)
Profit for the year from continuing operations					201.9	16.8
Loss for the year from a discontinued operation					–	(5.0)
Profit for the year before allocation between equity holders of the parent and non-controlling interests					201.9	11.8
Attributable to:						
Equity holders of the parent					201.9	13.7
Non-controlling interests					–	(1.9)
					201.9	11.8

	Property development and investment		Financial assets investments		Consolidated	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	HK$'M	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**	**HK$'M**
Segment assets	3,742.2	4,973.5	178.0	209.6	3,920.2	5,183.1
Investment in a joint venture	2.4	2.4	–	–	2.4	2.4
Cash and unallocated assets					716.0	669.8
Total assets					4,638.6	5,855.3
Segment liabilities	(1,937.0)	(3,291.3)	–	–	(1,937.0)	(3,291.3)
Unallocated liabilities					(1,288.5)	(1,251.4)
Total liabilities					(3,225.5)	(4,542.7)
Other segment information:						
Capital expenditure	460.4	571.7	–	–		
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	–	–	29.2	(52.6)		
Fair value gains upon reclassification of properties held for sale to investment properties	(2.7)	–	–	–		
Interest income	–	–	–	(0.8)		
Write-back of impairment loss on property under development	–	(57.0)	–	–		

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'M	HK$'M
Hong Kong	**6.6**	6.7
Mainland China	**2,140.7**	823.4
	2,147.3	830.1

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

(b) Non-current assets

	2018	2017
	HK$'M	HK$'M
Hong Kong	**0.5**	1.0
Mainland China	**1,559.7**	1,641.0
	1,560.2	1,642.0

The non-current assets information of continuing operations above is based on the locations of assets and excludes financial instruments.

Information about a major customer

No further information about a major customer is presented as no more than 10% of the Group's revenue was derived from sales to any single customer.

3. Revenue and other income from continuing operations are analysed as follows:

	2018 HK$'M	2017 HK$'M
<u>Revenue</u>		
Revenue from contracts with customers		
Proceeds from sale of properties	**2,140.7**	825.9
Revenue from other sources		
Net loss from sale/settlement of financial assets at fair value through profit or loss*	–	(2.5)
Dividend income from listed investments	**6.6**	5.9
Interest income from corporate bonds	–	0.8
	2,147.3	830.1
<u>Other income</u>		
Bank interest income	**6.9**	17.2
Other interest income	**14.7**	–
Others	**1.0**	0.5
	22.6	17.7

* The net loss from sale/settlement of financial assets at fair value through profit or loss for the year ended 31st December, 2017 included dividend income from fund investments of HK$155.9 million and net loss on disposal of fund investments of HK$158.4 million. Those fund investments were purchased and sold during the prior year and were considered as linked transactions. The Directors of the Company were of the opinion that offsetting of the amounts better reflected the substance of those linked transactions.

4. Finance costs of the Group from continuing operations are as follows:

	2018 HK$'M	2017 HK$'M
Interest on convertible bonds	**59.1**	59.7
Interest on other borrowings	**59.4**	76.9
Interest expenses arising from revenue contracts	**15.2**	–
	133.7	136.6
Less: Finance costs capitalised	**(21.1)**	(57.5)
	112.6	79.1

5. The income tax charge/(credit) for the year arose as follows:

	2018 HK$'M	2017 HK$'M
Current – Hong Kong		
Overprovision in prior years	**–**	(0.8)
Current – PRC		
Corporate income tax	**50.9**	59.1
Land appreciation tax	**67.1**	4.5
Deferred	**(3.4)**	(37.2)
Total tax charge for the year from continuing operations	**114.6**	25.6
Total tax credit for the year from a discontinued operation	**–**	(1.1)
	114.6	24.5

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

No provision for Hong Kong profits tax had been made in the prior year as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that year.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

The PRC land appreciation tax is levied on the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for the sale of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for tax was required for the joint venture as no assessable profits were earned by the joint venture during the year (2017 – Nil).

6. Dividend

No dividend was paid or proposed during the year ended 31st December, 2018, nor has any dividend been proposed since the end of the reporting period (2017 – Nil).

7. (a) Basic earnings/(loss) per share

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$201.9 million (2017 – HK$13.7 million) and on the weighted average of 6,759.4 million (2017 – 6,649.3 million) shares of the Company in issue during the year ended 31st December, 2018 (including ordinary shares and convertible preference shares).

The calculation of the basic earnings per share from continuing operations for the year ended 31st December, 2017 was based on the profit from continuing operations for that year attributable to equity holders of the parent of HK$16.8 million and on the weighted average of 6,649.3 million shares of the Company in issue during that year (including ordinary shares and convertible preference shares).

The calculation of the basic loss per share from a discontinued operation for the year ended 31st December, 2017 was based on the loss from a discontinued operation for that year attributable to equity holders of the parent of HK$3.1 million and on the weighted average of 6,649.3 million shares of the Company in issue during that year (including ordinary shares and convertible preference shares).

(b) Diluted earnings/(loss) per share

The calculation of the diluted earnings per share for the year ended 31st December, 2018 is based on the profit for the year attributable to equity holders of the parent, adjusted to reflect the imputed interest on the convertible bonds of HK$59.1 million. The weighted average number of shares used in the calculation is the aggregate of the number of ordinary and convertible preference shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 2,678.6 million shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment was made to the basic earnings per share, basic earnings per share from continuing operations and basic loss per share from a discontinued operation amounts presented for the year ended 31st December, 2017 in respect of a dilution, as the impact of the convertible bonds outstanding during that year had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

8. Deposits, prepayments and other assets are analysed as follows:

	2018	2017
	HK$'M	HK$'M
Non-current		
Prepayments (Note (a))	**87.1**	81.0
Investment deposits (Note (b))	**193.6**	–
Deposits	**0.1**	0.1
	280.8	81.1
Current		
Contract assets	**0.8**	–
Prepayments	**30.0**	179.8
Deposits	**0.4**	1.9
Other receivables	**18.3**	6.7
	49.5	188.4

Notes:

(a) The amount related to the costs incurred in relation to a re-forestation project in Urumqi, Xinjiang Uygur Autonomous Region, the PRC. In accordance with the prevailing relevant policies and regulations, upon the agreed completion (which has to be certified by the relevant government authorities) of re-forestation works in respect of that land, as well as the completion of the land listing and tender procedures in accordance with the relevant rules and regulations, the Group shall be either entitled to the land use right of 30% of the overall project area of such land for development purposes or reimbursed for the costs incurred in the re-forestation project.

In the prior years, the Group completed the milestones required by the relevant PRC government authorities and obtained affirmations to confirm the fulfillments of the conditions agreed with the relevant policies and regulations. Despite the delay in the progress of the re-forestation works, based on the latest legal opinion obtained, the legitimate interests of the Group in this re-forestation and land grant contract remain valid and effective and the Directors of the Company are of the opinion that costs incurred for the re-forestation works are fully recoverable in future in accordance with the applicable policies and regulations.

(b) The amount related to the deposits in an aggregate amount of RMB170 million (HK$193.6 million) paid in relation to a possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC, further details of which are disclosed in note 9 below.

9. Loans receivable are analysed as follows:

	2018	**2017**
	HK$'M	**HK$'M**
Short term secured loans	**170.8**	–

On 16th August, 2018, the Group entered into a deposit agreement (the "Deposit Agreement") in relation to the possible investment by the Group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC. Pursuant to the Deposit Agreement, the Group has paid a deposit of RMB70 million (HK$79.7 million) to the vendor and was granted an exclusivity period of 18 months to conduct bona fide negotiations to settle the terms of the possible investment. Following further negotiations with the vendor, the Group has agreed to increase the deposit under the Deposit Agreement from RMB70 million (HK$79.7 million) to RMB170 million (HK$193.6 million) and to grant loan facilities to the target investee company in an aggregate loan amount of RMB150 million (HK$170.8 million) which were fully utilised as at 31st December, 2018.

The short term secured loans bear interest at 18% to 24% per annum. The deposits and the loan amounts outstanding under the loan facilities are primarily secured by equity pledges over certain PRC companies associated with the vendor, guarantees provided by the vendor and certain of his associates, and pledges over the receivables of the target investee company and certain associates of the vendor.

The short term secured loans were overdue as at 31st December, 2018 and the negotiations with the vendor on the detailed terms of the proposed investment are still ongoing.

10. Other borrowings are analysed as follows:

	2018	2017
	HK$'M	HK$'M
Non-current		
Other borrowings	**1,062.0**	1,062.0
Current		
Other borrowings	**267.3**	60.0

Other borrowings, comprising term loan of HK$1,062 million (2017 – HK$1,062 million) and revolving loan of HK$267.3 million (2017 – HK$60 million) from a fellow subsidiary, are secured by the pledge over the equity interests in the relevant holding companies of the Group's property development projects and bear interest at 5% per annum. The term loan is repayable on 12th October, 2021 and is classified as a non-current other borrowing. The revolving loan of HK$267.3 million (2017 – HK$60 million) is classified as a short term borrowing.

11. Disposal of subsidiaries and discontinued operation

Pursuant to a deed of arrangement entered into between the Group and the co-venturer, the Group completed the disposal of its 60% effective equity interest in 上海禾允投資咨詢有限公司 and its wholly owned subsidiary which was engaged in the provision of logistics and related services in Shanghai, the PRC, at a total consideration of HK$71.0 million. The disposal was completed on 30th June, 2017 and the related gain on disposal of subsidiaries amounted to approximately HK$0.2 million.

For the year ended 31st December, 2017, the logistics business was classified as a discontinued operation and its results for that year were presented below:

	2017 **HK$'M**
Revenue	9.1
Cost of sales	(5.7)
Gross profit	3.4
Gain on disposal of subsidiaries	0.2
Administrative expenses	(1.6)
Operating profit before depreciation and amortisation	2.0
Depreciation and amortisation	(8.1)
Loss before tax from the discontinued operation	(6.1)
Income tax	1.1
Loss for the year from the discontinued operation	(5.0)

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31st December, 2018.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2018, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31st December, 2018, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals, due to practical necessity to cater to the Group's corporate operating structure.

(2) The Non-Executive Director and Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Articles of Association of the Company, all Directors (including the Non-Executive Director and the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Mr. LO Yuk Sui
(Chairman and Chief Executive Officer)
Mr. Jimmy LO Chun To
(Vice Chairman and Managing Director)
Miss LO Po Man
(Vice Chairman)
Mr. Kenneth WONG Po Man
(Chief Operating Officer)
Mr. Kelvin LEUNG So Po
(Chief Financial Officer)
Mr. Kenneth NG Kwai Kai

Non-Executive Director:
Mr. Francis BONG Shu Ying

Independent Non-Executive Directors:
Ms. Alice KAN Lai Kuen
Mr. LEE Choy Sang
Mr. David LI Ka Fai
Hon Abraham SHEK Lai Him, GBS, JP

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 26th March, 2019