南海控股有限公司*

NAN HAI CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 680)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

RESULTS

The board of directors (the "Board") of Nan Hai Corporation Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Re-presented)
Revenue	4(a)	**16,789,451**	15,900,885
Cost of sales and services provided	7	**(6,062,856)**	(5,763,012)
Gross profit		**10,726,595**	10,137,873
Other operating income	4(b)	**678,316**	586,911
Selling and marketing expenses		**(3,776,421)**	(3,021,316)
Administrative expenses		**(1,332,717)**	(1,083,184)
Other operating expenses		**(2,145,993)**	(1,615,535)
Finance costs	6	**(1,095,940)**	(823,731)
Expected credit loss on financial assets		**(37,415)**	(6,490)
Fair value change on financial liabilities at fair value through profit or loss		**59,997**	26,809
Loss on deemed disposal of an associate		**–**	(162)
Share of results of associates		**12,273**	12,913
Share of results of joint ventures		**466**	165
Gain on disposal of non-current assets held-for-sale		**19,649**	–
Gain on fair value change on investment properties		**315,371**	2,137
Profit before income tax	7	**3,424,181**	4,216,390
Income tax expense	8	**(2,449,836)**	(2,613,955)
Profit for the year		**974,345**	1,602,435
Profit/(Loss) for the year attributable to:			
Owners of the Company		**1,140,854**	1,708,027
Non-controlling interests		**(166,509)**	(105,592)
		974,345	1,602,435
		HK cent	*HK cent*
Earnings per share for profit attributable to the owners of the Company during the year	10		
— Basic		**1.66**	2.49
— Diluted		**1.63**	2.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**974,345**	1,602,435
Other comprehensive income, including reclassification adjustments		
Item that will not be reclassified subsequently to profit or loss:		
Fair value change on financial assets at fair value through other comprehensive income, net of tax	**4,836**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain on translation of financial statements of foreign operations	**(645,711)**	511,812
Exchange (loss)/gain on translation of financial statements of foreign associates	**(5,139)**	6,266
Exchange (loss)/gain on translation of financial statements of foreign joint ventures	**(94)**	187
Exchange differences reclassified on deemed disposal of an associate, net of tax	**–**	359
Other comprehensive income for the year, including reclassification adjustments	**(646,108)**	518,624
Total comprehensive income for the year	**328,237**	2,121,059
Total comprehensive income attributable to:		
Owners of the Company	**507,150**	2,228,829
Non-controlling interests	**(178,913)**	(107,770)
	328,237	2,121,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,217,394**	5,863,807
Investment properties		**757,669**	112,448
Prepaid land lease payments under operating leases		**22,860**	24,606
Interests in associates		**134,326**	145,593
Interests in joint ventures		**30,688**	5,413
Amounts due from related parties		**430,711**	254,324
Available-for-sale financial assets		**–**	135,915
Financial assets at fair value through other comprehensive income		**192,436**	–
Financial assets at fair value through profit or loss		**112**	–
Long term trade receivables	*11*	**764**	2,370
Deposits, prepayments and other receivables		**770,140**	901,850
Intangible assets		**6,516,732**	6,438,083
Deferred tax assets		**930,791**	596,985
Pledged and restricted bank deposits		**3,755,612**	3,591,605
		18,760,235	18,072,999
Current assets			
Inventories		**14,359,683**	15,319,232
Financial assets at fair value through profit or loss		**82,481**	199,474
Held-to-maturity investment		**–**	120,106
Trade receivables	*11*	**538,800**	677,298
Deposits, prepayments and other receivables		**2,923,593**	2,992,945
Amounts due from associates		**15,129**	11,238
Amounts due from joint ventures		**2,327**	2,491
Amounts due from related parties		**2,004**	4,064
Pledged and restricted bank deposits		**3,207,363**	5,080,474
Cash and cash equivalents		**1,334,598**	4,397,710
		22,465,978	28,805,032
Non-current assets held-for-sale		**–**	15,018
		22,465,978	28,820,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Current liabilities			
Trade payables	*12*	**1,894,306**	2,137,185
Other payables and accruals		**2,123,644**	1,439,633
Contract liabilities		**4,337,189**	–
Receipt in advance and deferred revenue		**–**	6,851,766
Provision for tax		**4,844,022**	3,823,364
Amount due to a director		**65,132**	9,878
Amounts due to associates		**5,492**	5,492
Amounts due to related parties		**178,959**	135,669
Other employee benefits		**16,923**	–
Bank and other borrowings		**6,805,091**	9,653,920
Finance lease liabilities		**42,078**	59,189
Convertible and exchangeable bonds		**1,150,721**	1,172,381
Financial liability at fair value through profit or loss		**21,476**	86,908
		21,485,033	25,375,385
Net current assets		**980,945**	3,444,665
Total assets less current liabilities		**19,741,180**	21,517,664
Non-current liabilities			
Long term trade payables	*12*	**409**	7,757
Other employee benefits		**27,260**	2,064
Bank and other borrowings		**11,913,914**	13,242,534
Finance lease liabilities		**48,012**	27,984
Provision for warranty		**3,886**	3,917
Financial liability at fair value through profit or loss		**5,435**	–
Deferred tax liabilities		**786,925**	1,038,158
		12,785,841	14,322,414
Net assets		**6,955,339**	7,195,250
EQUITY			
Share capital	*13*	**686,455**	686,455
Reserves		**5,513,308**	5,456,775
Equity attributable to the Company's owners		**6,199,763**	6,143,230
Non-controlling interests		**755,576**	1,052,020
Total equity		**6,955,339**	7,195,250

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and its principal place of business is 12/F., The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Group is principally engaged in culture and media services, property development, enterprise cloud services, news media business and innovative business.

As at 31 December 2018, the directors of the Company consider the ultimate holding company to be Dadi Holdings Limited, a limited liability company incorporated in Hong Kong.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on the historical cost basis except for investment properties and financial instruments, which are measured at fair values.

3. ADOPTION OF NEW/AMENDED HKFRSs

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018

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

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax obligations.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarise the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings and fair value through other comprehensive income ("FVOCI") reserve as of 1 January 2018 as follows (increase/(decrease)):

	HK$'000
Retained earnings	
Retained earnings as at 31 December 2017	**1,985,580**
Increase in expected credit losses ("ECLs") in trade receivables and other receivables (*note (ii)* below)	**(139,139)**
Increase in deferred tax assets relating to impairment provisions	**34,784**
Restated retained earnings as at 1 January 2018	**1,881,225**

	HK$'000
FVOCI reserve	
Reserves balances at 31 December 2017	**–**
Restated reserves balance as at 1 January 2018	**(1,580)**
FVOCI reserve as at 1 January 2018	**(1,580)**

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at FVOCI; or (iii) financial assets at FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of 1 January 2018, certain investment in unlisted equity investments were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application (the "DIA") as measured at FVOCI. As a result, financial assets with a carrying value of HK$135,591,000 were reclassified from available-for-sale financial assets at cost to FVOCI and fair value loss of HK$1,580,000 were recognised to the FVOCI reserve on 1 January 2018.

(b) In addition to (a) above, listed debt investments were reclassified from held-to-maturity investment to financial assets at amortised cost, as the Group's business model is to collect contractual cash flow from these financial assets. These listed debt investments meet the SPPI criterion. As such, listed debt investments with a fair value of HK$120,106,000 were reclassified from held-to-maturity investments to financial assets at amortised costs and there was no impact on the statement of financial position on 1 January 2018.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *HK$'000*
Listed equity investments	Held-for-trading	FVTPL	**199,474**	**199,474**
Unlisted debt investments	Available-for-sale financial assets (at fair value)	FVOCI	**324**	**324**
Listed debt investments	Held-to-maturity investment *(note (i)(b))*	Amortised cost	**120,106**	**120,106**
Unlisted equity investments	Available-for-sale financial assets (at cost) *(note (i)(a))*	FVOCI	**135,591**	**134,011**
Trade and other receivables	Loans and receivables	Amortised cost	**2,724,822**	**2,585,683**
Other loans and receivables	Loans and receivables	Amortised cost	**272,117**	**272,117**
Pledged and restricted bank deposits	Loans and receivables	Amortised cost	**8,672,079**	**8,672,079**
Cash and cash equivalents	Loans and receivables	Amortised cost	**4,397,710**	**4,397,710**

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 360 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined for trade receivables as follows:

1 January 2018	**0–90 days past due**	**91–180 days past due**	**181–270 days past due**	**271–360 days past due**	**Overdue for more than 360 days**	**Total**
Gross carrying amount *(HK$'000)*	**379,390**	**223,654**	**31,496**	**26,653**	**48,538**	**709,731**
Less: Individually assessed *(HK$'000)*	**–**	**(52,043)**	**–**	**–**	**(19,977)**	**(72,020)**
Carrying amount under collective measurement *(HK$'000)*	**379,390**	**171,611**	**31,496**	**26,653**	**28,561**	**637,711**
Expected credit loss rate (%)	**0.1%**	**1.0%**	**3.0%**	**5.0%**	**20.0%**	
ECL loss allowance for collective measurement *(HK$'000)*	**(379)**	**(1,716)**	**(945)**	**(1,334)**	**(5,712)**	**(10,086)**
Individually assessed loss allowance *(HK$'000)*	**–**	**(52,043)**	**–**	**–**	**(19,977)**	**(72,020)**
Total loss allowance *(HK$'000)*	**(379)**	**(53,759)**	**(945)**	**(1,334)**	**(25,689)**	**(82,106)**

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$52,043,000. The loss allowances further increased by HK$4,303,000 during the year ended 31 December 2018.

(b) Impairment of debt investments

All of the Group's debt investments at amortised costs and FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months ECLs. The directors considered that the loss allowance for the Group's debt investments under 12 months ECLs are insignificant and no provision is made.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(c) Impairment of other receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for other receivables. To measure the ECLs, other receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 January 2018 was determined for other receivables as follows:

1 January 2018	0–90 days past due	91–180 days past due	181–270 days past due	271–360 days past due	Overdue for more than 360 days	Total
Gross carrying amount *(HK$'000)*	625,569	162,598	136,476	213,084	934,907	2,072,634
Less: Individually assessed *(HK$'000)*	(244,413)	(111,570)	(53,322)	(83,253)	(399,653)	(892,211)
Carrying amount under collective measurement *(HK$'000)*	381,156	51,028	83,154	129,831	535,254	1,180,423
Expected credit loss rate (%)	0.1%	1.0%	3.0%	5.0%	10.0%	
ECL loss allowance for collectively measurement *(HK$'000)*	(381)	(510)	(2,495)	(6,492)	(53,525)	(63,403)
Individually assessed loss allowance *(HK$'000)*	-	-	-	-	(51,173)	(51,173)
Total loss allowance *(HK$'000)*	(381)	(510)	(2,495)	(6,492)	(104,698)	(114,576)

The increase in loss allowance for other receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$87,096,000. The loss allowances further increased by HK$33,112,000 during the year ended 31 December 2018.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(c) Impairment of other receivables (Continued)

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance as follows:

	HK$'000
Loss allowance as at 1 January 2018 under HKAS 39	**57,543**
Additional impairment recognised for trade receivables	**52,043**
Additional impairment recognised for other receivables	**87,096**
Loss allowance as at 1 January 2018 under HKFRS 9	**196,682**

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the DIA of HKFRS 9:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the DIA (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The following tables summarised the impact, net of tax, of transition to HKFRS 15 on the opening balances of retained earnings as follows (increase/(decrease)):

	HK$'000
Retained earnings	
Increase in contract liabilities *(note (a)(b))*	**(136,929)**
Increase in deferred tax assets	**32,392**
Impact at 1 January 2018	**(104,537)**

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2018. There was no material impact on the Group's consolidated statement of cash flows for the year ended 31 December 2018:

	As reported	**Adjustments**	**Amount without application of HKFRS 15**
	HK$'000	***HK$'000***	***HK$'000***
Assets			
Deferred tax assets	**930,791**	**(50,494)**	**880,297**
Equity			
Retained earnings	**2,741,237**	**165,134**	**2,906,371**
Liabilities			
Contract liabilities	**4,337,189**	**(4,337,189)**	**–**
Receipt in advance and deferred revenue	**–**	**4,121,561**	**4,121,561**

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

	As reported *HK$'000*	Adjustments *HK$'000*	Amount without application of HKFRS 15 *HK$'000*
Revenue	**16,789,451**	**(127,750)**	**16,661,701**
Finance costs	**(1,095,940)**	**206,448**	**(889,492)**
Profit before income tax	**3,424,181**	**78,698**	**3,502,879**
Income tax expenses	**(2,449,836)**	**(18,101)**	**(2,467,937)**
Profit for the year	**974,345**	**60,597**	**1,034,942**
Total comprehensive income for the year	**328,237**	**60,597**	**388,834**

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/ Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Property development	Customers obtain control of the property units when the properties were delivered to and have been accepted by them. Revenue is thus recognised upon when the customers accept the property units so delivered. In addition, it is the Group's practice to provide standard decoration to customers to maintain the properties' quality, therefore, decoration provision is also considered as a performance obligation by practice. **Right of return** No right of return is noted from the Group's contract with customers.	As of 1 January 2018, an increase in contract liabilities of HK$129,558,000, and a decrease in retained earnings of HK$97,166,000 were recognised for the financing components of the contracts, net of tax.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Note	Product/ Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Property development (Continued)	**Financing component** Should the contract contain a significant financing component, the transaction price should reflect the time value of money. The Group is not required to consider the time value of money if the period between payment and the transfer of the property unit is one year or less, as a practical expedient. In assessing whether a contract contains a significant financing component, the Group considers various factors, including the length of time between when the Group expected to transfer the property unit to the customer and when the customer pays for them, and the interest rate in the contract and prevailing interest rates in the relevant market. Revenue is discounted when the inflow of cash or cash equivalents is deferred. Interest is calculated and recognised using the effective interest method.	

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Note	Product/ Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(b)	Enterprise cloud service	The Group provides a one-stop service from domain name registration, website design services to website constructions with specific add-on features to the website to small and medium enterprise ("SME") customers. The Group accounts for these contracts as a bundle of goods and services and such bundled services as a whole is considered as a single performance obligation. Revenue from such bundled services is recognised over time by reference to the Group's inputs to the satisfaction of the performance obligation relative to the total expected input. Payment received in advance that are related to the provision of such bundled services not yet delivered to customers are deferred and recognised as contract liabilities. The Group provides various corporate cloud products to SME customers. Revenue from the corporate cloud services is recognised on a straight-line basis over the contract period. Payment received in advance that are related to the provision of corporate cloud products not yet delivered to customers are deferred and recognised as contract liabilities. The Group also renders various internet-based services without further bundled services and maintenance service to customers. Revenue from provision of services is recognised when the services are rendered according to the terms of the agreements.	As of 1 January 2018, an increase in contract liabilities of HK$7,371,000, and a decrease in retained earnings of HK$7,371,000 were recognised for the change in the estimate stage of completion of performance obligations.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Note	Product/ Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(c)	Cinema ticketing income	The Group has determined that for contracts with customers under cinema ticketing income, there is only one performance obligation, which is the provision of movie services in the Group's cinema. The Group has determined that the customer simultaneously receives and consumes the benefits of the Group's performance and thus the Group concludes that the service should be recognised over time. Tickets are issued according to contractual terms to individual customers which payment is made immediately. For tickets sell through agents, payment is usually payable within 30 days.	There is no impact on the adoption of HKFRS 15 for ticketing income as the revenue recognised for the ticketing income has been the same under HKAS 18 and HKFRS 15.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

Amendments to HKAS 40 — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.1 Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of this interpretation has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

3.2 Impact of new/amended HKFRSs which are issued but not yet effective

The following new/amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 3 — Definition of a Business

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

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulate that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

3. ADOPTION OF NEW/AMENDED HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as described above, the directors anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

The Group's revenue represents revenue from its principal activities as set out below:

	2018	2017
	HK$'000	*HK$'000*
Sales of properties and car parks	**9,818,655**	9,866,583
Enterprise cloud services	**997,865**	829,346
Property management services	**65,546**	63,343
Sales of decoration materials	**89,672**	91,483
Film distribution services	**12,106**	80,382
Cinema ticketing income	**3,785,438**	3,117,471
Sales of food and beverages	**524,272**	493,048
Cinema advertising income	**302,332**	220,223
Sales and leases of projection equipment	**18,773**	12,796
Digital media technology services	**288,582**	226,223
Publication of magazines and advertising income	**54,321**	21,299
Sales of botanic-based personal care and fragrance products	**829,533**	874,472
Innovative catering services	**2,356**	4,216
	16,789,451	15,900,885

All the Group's revenue is derived from contracts with customers.

4. REVENUE AND OTHER OPERATING INCOME (Continued)

(a) Revenue (Continued)

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	31 December 2018 *HK$'000*	1 January 2018 *HK$'000* (Restated)
Trade receivables	**539,564**	627,625
Contract liabilities	**4,337,189**	6,988,695

(b) Other operating income:

	2018 *HK$'000*	2017 *HK$'000*
Bank interest income	**168,308**	217,224
Other interest income	**63,609**	24,092
Interest income on financial assets not at FVTPL	**231,917**	241,316
Gain on fair value change on financial assets at FVTPL	**–**	13,834
Gain on trading of financial assets at FVTPL	**21,895**	34,192
Exchange gain	**36,297**	–
Gain on disposal of property, plant and equipment	**326**	32
Rental income	**31,706**	24,820
Government grants*	**117,602**	111,772
Dividend income	**5,731**	6,464
Sundry income	**232,842**	154,481
	678,316	586,911

* Government grants have been received from the People's Republic of China ("PRC") governmental bodies in the form of the subsidies to cinema operations and subsidies to the development of IT business in the PRC. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities who operate cinemas and have research and development projects that meet certain criteria. There are no unfulfilled conditions or contingencies attaching to these grants.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major products and service lines.

The Group has identified the following five reportable segments:

(a) Enterprise cloud services

(b) Property development

(c) Culture and media services

(d) News media business*

(e) Innovative business

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

* Despite operating in the novel form of internet, the core value of this segment is news media communication. Therefore, the name of the segment is amended from "Internet lifestyle platform" to "News media business" to reflect its commercial substance.

5. SEGMENT INFORMATION (Continued)

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Certain corporate income and expenses are not allocated to the operating segments as they are not included in the measure of segment's profit or loss that is used by the chief operating decision maker for assessment of segment performance.

The segment results for the years ended 31 December 2018 and 2017 are as follows:

	2018						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Revenue							
From external customers	997,865	9,908,327	4,931,503	54,321	831,889	65,546	16,789,451
From inter-segments	14,585	–	57,503	167,707	–	42,503	282,298
Reportable and all other segments revenue	**1,012,450**	**9,908,327**	**4,989,006**	**222,028**	**831,889**	**108,049**	**17,071,749**
Reportable and all other segments (loss)/profit before income tax	**(125,085)**	**6,018,298**	**(660,407)**	**(385,939)**	**(1,047,753)**	**(65,396)**	**3,733,718**
Bank interest income	361	110,009	3,969	11	348	4,074	118,772
Other interest income	293	1,041	18,083	–	–	–	19,417
Interest income on financial assets not at fair value through profit or loss	654	111,050	22,052	11	348	4,074	138,189
Finance costs	(1,370)	(628,837)	(268,041)	–	(21,109)	(3,712)	(923,069)
Depreciation and amortisation	(57,448)	(30,500)	(1,036,057)	(16,099)	(99,418)	(1,706)	(1,241,228)
Gain on disposal of non-current assets held-for-sale	–	–	–	–	19,649	–	19,649
Gain/(Loss) on disposal of property, plant and equipment	14	(37)	(556)	–	(9,072)	–	(9,651)
Share of results of associates	(6,815)	(859)	19,947	–	–	–	12,273
Share of results of joint ventures	–	–	466	–	–	–	466
Fair value change on financial liability at fair value through profit or loss	–	–	65,432	–	–	–	65,432
Provision for impairment of goodwill	–	–	(23,356)	–	(157,480)	–	(180,836)
Provision for impairment of intangible assets other than goodwill	(3,620)	–	(2,460)	–	(19,858)	–	(25,938)
Write-off of intangible assets other than goodwill	(1,356)	–	–	–	(68,971)	–	(70,327)
Income tax (expenses)/credit	(3,648)	(2,413,120)	(24,595)	–	5,439	(246)	(2,436,170)
Reportable and all other segments assets	502,754	25,408,671	10,970,795	80,277	1,523,799	355,114	38,841,410
Interests in associates	35,002	43,911	55,413	–	–	–	134,326
Interests in joint ventures	–	–	30,688	–	–	–	30,688
Additions to non-current segment assets during the year	57,574	55,068	644,048	8,921	128,039	5,499	899,149
Reportable and all other segments liabilities	(352,225)	(14,765,569)	(6,203,916)	(22,539)	(909,853)	(99,264)	(22,353,366)

5. SEGMENT INFORMATION (Continued)

	2017						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Revenue							
From external customers	829,346	9,958,066	4,150,143	21,299	878,688	63,343	15,900,885
From inter-segments	3,899	–	54,563	224,951	17,818	7,287	308,518
Reportable and all other segments revenue	833,245	9,958,066	4,204,706	246,250	896,506	70,630	16,209,403
Reportable and all other segments (loss)/profit before income tax	(66,363)	5,820,449	(600,860)	(322,491)	(528,570)	23,092	4,325,257
Bank interest income	1,152	105,972	6,544	13	663	15,674	130,018
Other interest income	591	–	1	–	–	15,327	15,919
Interest income on financial assets not at fair value through profit or loss	1,743	105,972	6,545	13	663	31,001	145,937
Finance costs	(6,338)	(439,109)	(227,554)	–	(11,049)	(2,480)	(686,530)
Depreciation and amortisation	(65,415)	(8,651)	(829,880)	(16,021)	(54,218)	(1,122)	(975,307)
Loss on deemed disposal of an associate	(162)	–	–	–	–	–	(162)
(Loss)/Gain on disposal of property, plant and equipment	(52)	(160)	33	–	(3)	–	(182)
Share of results of associates	(1,040)	(307)	14,260	–	–	–	12,913
Share of results of joint ventures	–	–	165	–	–	–	165
Fair value change on financial liability at fair value through profit or loss	–	–	26,809	–	–	–	26,809
Provision for impairment of goodwill	–	–	–	–	(79,612)	–	(79,612)
Provision for impairment of intangible assets other than goodwill	(5,530)	–	(177)	–	–	–	(5,707)
Write-off of intangible assets other than goodwill	–	–	–	–	(670)	–	(670)
Income tax credit/(expenses)	915	(2,613,258)	18,673	–	(366)	(660)	(2,594,696)
Reportable and all other segments assets	1,187,978	26,853,288	11,014,755	76,538	1,987,794	1,960,132	43,080,485
Interests in associates	41,128	35,767	68,698	–	–	–	145,593
Interests in joint ventures	–	–	5,413	–	–	–	5,413
Additions to non-current segment assets during the year	71,485	2,190	915,467	8,552	171,130	4,326	1,173,150
Reportable and all other segments liabilities	(502,157)	(16,883,989)	(5,977,926)	(16,195)	(833,685)	(154,906)	(24,368,858)

5. SEGMENT INFORMATION (Continued)

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2018	2017
	HK$'000	*HK$'000*
Reportable segments revenue	**16,963,700**	16,138,773
All other segments revenue	**108,049**	70,630
Elimination of inter-segment revenue	**(282,298)**	(308,518)
Group revenue	**16,789,451**	15,900,885
Reportable segments results before income tax	**3,799,114**	4,302,165
All other segments results before income tax	**(65,396)**	23,092
Bank interest income	**49,536**	87,206
Other interest income	**44,192**	8,173
Interest income on financial assets not at FVTPL	**93,728**	95,379
Finance costs	**(172,871)**	(137,201)
Depreciation and amortisation	**(5,000)**	(4,858)
Unallocated corporate expenses	**(225,394)**	(62,187)
Profit before income tax	**3,424,181**	4,216,390

	2018	2017
	HK$'000	*HK$'000*
Reportable segments assets	**38,486,296**	41,120,353
All other segments assets	**355,114**	1,960,132
Amounts due from related parties	**430,711**	–
Available-for-sale financial assets	**–**	131,558
Financial assets at FVOCI	**186,742**	–
Pledged and restricted bank deposits	**759,386**	2,063,134
Other financial and corporate assets	**1,007,964**	1,617,872
Group assets	**41,226,213**	46,893,049

5. SEGMENT INFORMATION (Continued)

	2018	2017
	HK$'000	*HK$'000*
Reportable segments liabilities	**22,254,102**	24,213,952
All other segments liabilities	**99,264**	154,906
Amount due to a director	**65,132**	9,878
Provision for tax	**161,585**	148,618
Bank and other borrowings	**11,609,529**	15,088,724
Other corporate liabilities	**81,262**	81,721
Group liabilities	**34,270,874**	39,697,799

Revenue is disaggregated by primary geographical markets and timing of revenue recognition as follows:

	For the year ended 31 December 2018						
	Enterprise cloud services	Property development	Culture and media services	News media business	Innovative business	All other segments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets							
Mainland China (domicile)	997,764	9,908,327	4,931,503	–	21,182	65,546	15,924,322
Hong Kong	101	–	–	54,071	90,941	–	145,113
North America	–	–	–	250	425,534	–	425,784
Europe	–	–	–	–	120,860	–	120,860
Australia	–	–	–	–	73,356	–	73,356
Others	–	–	–	–	100,016	–	100,016
Total	997,865	9,908,327	4,931,503	54,321	831,889	65,546	16,789,451
Timing of revenue recognition							
At a point in time	38,495	9,908,327	543,045	1,827	831,889	–	11,323,583
Transferred over time	959,370	–	4,388,458	52,494	–	65,546	5,465,868
Total	997,865	9,908,327	4,931,503	54,321	831,889	65,546	16,789,451

5. SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2017						
	Enterprise cloud services *HK$'000*	Property development *HK$'000*	Culture and media services *HK$'000*	News media business *HK$'000*	Innovative business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Primary geographical markets							
Mainland China (domicile)	826,878	9,958,066	4,150,143	–	1,461	63,343	14,999,891
Hong Kong	2,468	–	–	20,229	152,053	–	174,750
North America	–	–	–	1,070	385,658	–	386,728
Europe	–	–	–	–	147,684	–	147,684
Australia	–	–	–	–	93,625	–	93,625
Others	–	–	–	–	98,207	–	98,207
Total	829,346	9,958,066	4,150,143	21,299	878,688	63,343	15,900,885

Non-current assets (other than deferred tax assets, financial instruments, amounts due from related parties and pledged and restricted bank deposits) are divided into the following geographical areas:

	2018 *HK$'000*	2017 *HK$'000*
Mainland China (domicile)	**11,688,168**	11,314,670
Hong Kong	**154,545**	169,103
North America	**522,569**	746,521
Europe	**133,627**	125,659
Australia	**50,805**	89,337
Others	**179,812**	202,341
Total	**12,729,526**	12,647,631

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

During the years ended 31 December 2018 and 2017, the Group did not derive more than 10% of the Group's total revenue from any single customer.

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**1,466,564**	1,253,594
Interest on convertible and exchangeable bonds	**65,361**	104,549
Interest on finance leases	**8,529**	7,974
Interest on financing component in contracts with customers	**206,448**	–
Total finance costs on financial liabilities not at FVTPL	**1,746,902**	1,366,117
Less: Amount capitalised to properties under development*	**(650,962)**	(542,386)
	1,095,940	823,731

* The finance costs have been capitalised at a rate of 4.99% to 7.13% (2017: 5.04% to 7.35%) per annum.

7. PROFIT BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of intangible assets other than goodwill*	**150,953**	67,049
Auditors' remuneration		
— Audit service	**16,027**	14,385
— Other service	**1,828**	2,633
Cost of sales of properties and car parks	**3,138,198**	3,306,215
Cost of provision of enterprise cloud services	**158,095**	154,847
Cost of provision of property management services	**69,354**	50,960
Cost of sales of decoration materials	**76,812**	81,524
Cost of provision of film distribution services	**14,441**	112,259
Cost of cinema ticketing	**1,577,852**	1,330,723
Cost of sales of food and beverages	**155,893**	142,149
Cost of cinema advertising	**4,572**	1,764
Cost of sales and leases of projection equipment	**15,950**	14,099
Cost of digital media technology services	**58,438**	13,904
Cost of publication of magazine and advertising	**303,253**	227,254
Cost of sales of botanic-based personal care and fragrance products	**488,955**	325,268
Cost of innovative catering services	**1,043**	2,046
Cost of sales and services provided	**6,062,856**	5,763,012

7. PROFIT BEFORE INCOME TAX (Continued)

	2018	2017
	HK$'000	*HK$'000*
Loss/(Gain) on fair value change on financial assets at FVTPL		
— Listed equity investments	**34,170**	(13,834)
— Derivatives	**(112)**	–
Gain on fair value change on financial liabilities at FVTPL		
— Derivatives	**(59,997)**	(26,809)
Loss on disposal of property, plant and equipment	**9,960**	214
Depreciation of property, plant and equipment — owned assets*	**1,072,679**	901,155
Depreciation of property, plant and equipment — leased assets*	**22,072**	11,448
Write-off of deposits, prepayments and other receivables*	**–**	15,707
Write-off of property, plant and equipment*	**61,012**	142,574
Write-off of intangible assets other than goodwill*	**70,327**	670
Write-off of inventories*	**81,318**	–
Minimum lease payments	**999,260**	763,997
Contingent rentals	**20,826**	20,574
Operating lease recognised as expenses	**1,020,086**	784,571
Operating lease charges on prepaid land lease*	**524**	513
Direct operating expenses arising from investment properties that generated rental income during the year	**3,676**	3,106
Provision for impairment of trade receivables#	**4,303**	2,920
Provision for impairment of deposits, prepayments and other receivables#	**33,112**	3,570
Provision for impairment of intangible assets other than goodwill*	**25,938**	5,707
Provision for impairment of property, plant and equipment*	**43,185**	125,762
Provision for impairment of goodwill*	**180,836**	79,612
Research and development expenses*	**84,495**	63,592

* included in other operating expenses

\# included in expected credit loss on financial assets

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The income tax expense comprises:		
Current tax		
— Hong Kong Profits Tax		
Tax charge for the year	**10,532**	11,192
Under-provision in respect of prior years	**–**	1,040
— PRC Enterprise Income Tax ("EIT")		
Tax charge for the year	**1,362,498**	1,492,792
(Over)/under-provision in respect of prior years	**(243)**	1,116
— Taxation for other jurisdictions		
Tax charge for the year	**423**	366
— PRC Land Appreciation Tax ("LAT")		
Tax charge for the year	**1,608,312**	1,578,909
	2,981,522	3,085,415
Deferred tax		
— Credit for the year	**(531,686)**	(471,460)
	2,449,836	2,613,955

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2017: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PRC LAT is levied at progressive rates from 30% to 60% (2017: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

9. DIVIDEND

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of 0.15 HK cents per ordinary share (2017: 0.23 HK cents per ordinary share), in an aggregate amount of approximately HK$102,968,000 (2017: HK$157,885,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$1,140,854,000 (2017: HK$1,708,027,000) and on 68,645,535,794 (2017: 68,645,535,794) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to the owners of the Company adjusted for the effect of dilutive potential ordinary shares arising from adjustment to the share of loss of a subsidiary based on dilution of its loss per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, which is the same as the basic earnings per share calculation.

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**1,140,854**	1,708,027
Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of a subsidiary based on dilution of its loss per share*	**(19,454)**	-
Earnings for the purpose of diluted earnings per share	**1,121,400**	1,708,027

* Amount represented the increase in the Group's proportionate interest in the loss of a subsidiary of HK$19,454,000 (2017: Nil) assuming all dilutive outstanding shares of a subsidiary were converted for ordinary shares at the beginning of the year.

Diluted earnings per share for the year ended 31 December 2017 is the same as the basic earnings per share as the convertible and exchangeable bonds outstanding during the year had an anti-dilutive effect on the basic earnings per share.

11. TRADE RECEIVABLES

Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–90 days	**331,166**	379,390
91–180 days	**110,863**	223,654
181–270 days	**26,088**	31,496
271–360 days	**22,884**	26,653
Over 360 days	**130,030**	48,538
Trade receivables, gross	**621,031**	709,731
Less: Provision for impairment of receivables	**(81,467)**	(30,063)
Trade receivables, net	**539,564**	679,668
Less: Long term trade receivables	**(764)**	(2,370)
Current portion of trade receivables	**538,800**	677,298

12. TRADE PAYABLES

Based on the invoice dates, the aging analysis of the trade payables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0–90 days	**1,636,391**	1,944,465
91–180 days	**89,254**	84,741
181–270 days	**51,998**	21,826
271–360 days	**26,970**	20,733
Over 360 days	**90,102**	73,177
Trade payables	**1,894,715**	2,144,942
Less: Long term trade payables	**(409)**	(7,757)
Current portion of trade payables	**1,894,306**	2,137,185

13. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 each	***HK$'000***
Authorised:		
At 1 January 2017, 31 December 2017 and **31 December 2018**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and **31 December 2018**	**68,645,535,794**	**686,455**

14. BUSINESS COMBINATIONS

(a) During the year ended 31 December 2018, the Group acquired equity interest of certain companies owned by independent third parties.

The Group's material business combinations are detailed as follows:

During the year ended 31 December 2018, 廣東自由人影城管理有限公司, an indirect non-wholly owned subsidiary of the Group acquired 100% equity interest in 浙江視博影業有限公司 ("浙江視博"), which is a company incorporated in the PRC. 浙江視博 and its subsidiaries are principally engaged in cinema operation in Zhejiang. The Group aims to expand its presence in Zhejiang through this acquisition. The acquisition was completed on 9 July 2018 (the "浙江視博 Acquisition Date").

The fair values of the identifiable assets and liabilities of 浙江視博 as at the 浙江視博 Acquisition Date were as follows:

	Fair value
	HK$'000
Property, plant and equipment	**80,430**
Intangible assets	**2,229**
Inventories	**15,553**
Trade receivables *(note (b))*	**10,062**
Deposits, prepayments and other receivables *(note (b))*	**5,819**
Cash and cash equivalents	**18,693**
Trade payables	**(5,623)**
Other payables and accruals	**(8,242)**
Contract liabilities	**(19,250)**
Total identifiable net assets at fair value	**99,671**
Goodwill *(note (a))*	**472,367**
Fair value of consideration	**572,038**
Purchase consideration	**(572,038)**
Less: Consideration payables	**(223,845)**
Add: cash and cash equivalents in subsidiaries acquired	**18,693**
Net cash outflows in acquisition	**(329,500)**

14. BUSINESS COMBINATIONS (Continued)

(a) (Continued)

Notes:

(a) The goodwill of HK$472,367,000 arising from the acquisition of 浙江視博, which is not deductible for tax purposes, represents the synergistic effect by enabling the Group to expand its cinema coverage in a more efficient and cost-effective manner by taking the advantages of 浙江視博's existing customer network in Zhejiang.

(b) The fair value and the gross amount of trade receivables and other receivables amounted to HK$10,062,000 and HK$5,819,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(c) The Group incurred transaction costs of HK$286,000 for the acquisition which have been expensed and recognised as administrative expense in profit or loss for the year.

(d) 浙江視博 contributed revenue of HK$57,003,000 and net loss of HK$7,011,000 to the Group since the 浙江視博 Acquisition Date to 31 December 2018. Had the acquisition occurred on 1 January 2018, consolidated revenue and consolidated profit for the year would have been HK$16,864,039,000 and HK$969,131,000 respectively.

(b) During the year ended 31 December 2017, the Group acquired equity interest of certain companies owned by independent third parties.

The Group's material business combinations are detailed as follows:

(i) On 25 January 2017, True Vision Limited, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement to acquire Orange Sky Golden Harvest Cinemas (China) Company Limited through the acquisition of the total issued share capital of City Entertainment Corporation Limited ("OSGH"), which is a company incorporated in Hong Kong. OSGH and its subsidiaries are principally engaged in cinema operation in Mainland China. Through the acquisition, the Group is able to increase the number of cinemas and screens significantly that the Group operates and manages in the PRC and strengthen its position in the PRC cinema industry. The acquisition was completed on 28 July 2017 (the "OSGH Acquisition Date").

14. BUSINESS COMBINATIONS (Continued)

(b) (i) (Continued)

The fair values of the identifiable assets and liabilities of OSGH as at the OSGH Acquisition Date were as follows:

	Fair value *HK$'000*
Property, plant and equipment	1,244,282
Interests in associates	1,285
Interest in a joint venture	5,061
Intangible assets	571,146
Inventories	12,813
Trade receivables *(note (b))*	195,085
Deposits, prepayments and other receivables *(note (b))*	228,636
Cash and cash equivalents	178,729
Trade payables	(75,394)
Other payables and accruals	(375,816)
Receipt in advance and deferred revenue	(175,531)
Bank and other borrowings	(169,006)
Finance lease liabilities	(47,728)
Deferred tax liabilities	(158,178)
Total identifiable net assets at fair value	1,435,384
Non-controlling interests *(note (c))*	(10,467)
Goodwill *(note (a))*	2,291,084
Fair value of consideration	3,716,001
Purchase consideration	(3,716,001)
Add: cash and cash equivalents in subsidiaries acquired	178,729
Net cash outflows in acquisition	(3,537,272)

Notes:

(a) The goodwill of HK$2,291,084,000 arising from the acquisition of OSGH, which is not deductible for tax purposes, represents the synergistic effect by enabling the Group to expand its cinema coverage in a more efficient and cost-effective manner by taking the advantages of OSGH's existing customer network in Mainland China. The cinemas and screens that the Group operates and manages in the PRC increase significantly in number as well as geographical coverage.

(b) The fair value and the gross amount of trade receivables and other receivables amounted to HK$195,085,000 and HK$228,636,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(c) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK$10,467,000.

14. BUSINESS COMBINATIONS (Continued)

(b) (i) (Continued)

Notes: (Continued)

(d) The Group incurred transaction costs of HK$6,746,000 for the acquisition which have been expensed and recognised as administrative expense in profit or loss for the year ended 31 December 2017.

(e) OSGH contributed revenue of HK$453,994,000 and net loss of HK$303,432,000 to the Group since the OSGH Acquisition Date to 31 December 2017. Had the acquisition occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been HK$16,531,704,000 and HK$1,508,157,000 respectively.

(ii) On 13 July 2017, 大地影院管理有限公司, an indirect non-wholly-owned subsidiary of the Group, entered into a sale and purchase agreement in respect of the acquisition of 100% equity interest in 福建中瑞文化投資有限責任公司 ("福建中瑞"), which is a company incorporated in the PRC. 福建中瑞 and its subsidiaries are principally engaged in cinema operation in Fujian. The Group aims to expand its presence in Fujian through this acquisition. The acquisition was completed on 9 August 2017 (the "福建中瑞 Acquisition Date").

The fair values of the identifiable assets and liabilities of 福建中瑞 as at the 福建中瑞 Acquisition Date were as follows:

	Fair value *HK$'000*
Property, plant and equipment	126,807
Intangible assets	29,997
Deferred tax assets	1,581
Inventories	822
Trade receivables *(note (b))*	10,566
Deposits, prepayments and other receivables *(note (b))*	57,780
Cash and cash equivalents	4,461
Trade payables	(12,763)
Other payables and accruals	(48,193)
Receipt in advance and deferred revenue	(1,009)
Amount due to a related party	(2,791)
Bank and other borrowings	(20,470)
Deferred tax liabilities	(11,173)
Total identifiable net assets at fair value	135,615
Non-controlling interests *(note (c))*	(1,572)
Goodwill *(note (a))*	380,302
Fair value of consideration	514,345
Purchase consideration	(514,345)
Add: cash and cash equivalents in subsidiaries acquired	4,461
Net cash outflows in acquisition	(509,884)

14. BUSINESS COMBINATIONS (Continued)

(b) (ii) (Continued)

Notes:

(a) The goodwill of HK$380,302,000 arising from the acquisition of 福建中瑞, which is not deductible for tax purposes, represents the synergistic effect by enabling the Group to expand its cinema coverage in a more efficient and cost-effective manner by taking the advantages of 福建中瑞's existing customer network in Fujian.

(b) The fair value and the gross amount of trade receivables and other receivables amounted to HK$10,566,000 and HK$57,780,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(c) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK$1,572,000.

(d) The Group incurred transaction costs of HK$556,000 for the acquisition which have been expensed and recognised as administrative expense in profit or loss for the year ended 31 December 2017.

(e) 福建中瑞 contributed revenue of HK$56,067,000 and net profit of HK$4,646,000 to the Group since the 福建中瑞 Acquisition Date to 31 December 2017. Had the acquisition occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been HK$15,992,864,000 and HK$1,603,668,000 respectively.

(iii) During the year ended 31 December 2017, 深圳半島城邦房地產開發有限公司, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement in respect of the acquisition of entire equity interest in 北京奧萊惠通置業有限公司 ("奧萊惠通"), which is a company incorporated in the PRC. 奧萊惠通 aims to engage in property development in Beijing. The Group aims to expand its property development business through this acquisition. The acquisition was completed on 17 July 2017 (the "奧萊惠通 Acquisition Date").

14. BUSINESS COMBINATIONS (Continued)

(b) (iii) (Continued)

The fair values of the identifiable assets and liabilities of 奧萊惠通 as at the 奧萊惠通 Acquisition Date were as follows:

	Fair value *HK$'000*
Property, plant and equipment	39
Inventories	3,522
Deposits, prepayments and other receivables *(note (b))*	84,069
Cash and cash equivalents	5,834
Trade payables	(70)
Other payables and accruals	(42,450)
Total identifiable net assets at fair value	50,944
Goodwill *(note (a))*	40,421
Fair value of consideration	91,365
Purchase consideration	(91,365)
Add: cash and cash equivalents in a subsidiary acquired	5,834
Net cash outflows in acquisition	(85,531)

Notes:

(a) The goodwill of HK$40,421,000 arising from the acquisition of 奧萊惠通, which is not deductible for tax purposes, represents the synergistic effect by enabling the Group to expand its resource on property development.

(b) The fair value and the gross amount of trade receivables and other receivables amounted to nil and HK$84,069,000 respectively. None of these receivables was impaired and it was expected that the full contractual amounts could be collected.

(c) The Group incurred transaction costs of HK$104,000 for the acquisition which have been expensed and recognised as administrative expense in profit or loss for the year ended 31 December 2017.

(d) 奧萊惠通 has contributed revenue of nil and net loss of HK$76,000 to the Group since the 奧萊惠通 Acquisition Date to 31 December 2017. Had the acquisition occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been HK$15,900,885,000 and HK$1,596,498,000 respectively.

15. COMPARATIVE FIGURES

Comparative amount of impairment loss on trade receivables and impairment loss of deposits, prepayment and other receivables of approximately HK$6,490,000 has been reclassified from "Other operating expenses" to "Expected credit loss on financial assets" in the consolidated income statement for the year ended 31 December 2017, to conform with the presentation in the current year's consolidated income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to operate in the areas of culture and media services, property development and enterprise cloud services, through Dadi Media (HK) Limited and its subsidiaries, Dadi Cinema Investment Limited and its subsidiaries and Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Dadi Media"), Nan Hai Development Limited and its subsidiaries (collectively referred to as "Nan Hai Development") and Sino-i Technology Limited (stock code: 250) and its subsidiaries (collectively referred to as "Sino-i"), and the businesses have developed steadily. In the meantime, the Group has also commenced businesses stably through Dadi News Media (HK) Limited together with its subsidiaries (collectively referred to as "News Media Business") and Dadi Innovation (HK) Limited together with its subsidiaries (collectively referred to as "Innovative Business").

The Group issued US$120,000,000 guaranteed senior notes that bear interest at 9.75% per annum in May 2018, which was due 2019 and successfully listed on the Hong Kong Stock Exchange. The successful issuance of the notes further expanded the Group's financing sources, optimized its debt structure and further enhanced its capital operation capability, thereby supporting the Group's growth in the future.

During the year, revenue of the Group was approximately HK$16,789.5 million (2017: HK$15,900.9 million), representing an increase of approximately 5.6% as compared to the corresponding period of last year. Profit for the year of the Group was approximately HK$974.3 million (2017: HK$1,602.4 million). The decrease in profit was mainly due to the impairment of goodwill and assets arising from the Group's adjustment of the business model of Crabtree & Evelyn business, disposal of inventories and closure of stores as well as an increase in finance costs. The net assets of the Group were approximately HK$6,955.3 million (2017: HK$7,195.3 million).

Culture and Media Services

Business Review

During the year, the revenue of the culture and media services segment was approximately HK$4,931.5 million (2017: HK$4,150.1 million). Loss before income tax was approximately HK$660.4 million (2017: HK$600.9 million).

Cinema Operation

In 2018, the national gross box office in China amounted to RMB56.58 billion (excluding service charges), representing a year-on-year increase of 8.0%. The annual admission of audiences was approximately 1.72 billion, representing a year-on-year increase of 6.2%. There were 81 films with box office over RMB100 million, including 45 domestic films.

Culture and Media Services (Continued)

Business Review (Continued)

Cinema Operation (Continued)

During the year, the cinema business of the Company achieved a box office revenue (tax included) of RMB3,340 million, representing a year-on-year increase of approximately 17.6% and contributing to approximately 5.9% of the national box office receipts with the admission of audiences of approximately 100 million. The increase was attributable to the inclusion of box office (tax included) income of City Entertainment Corporation Limited ("OSGH") in 2018 (the acquisition of OSGH was completed on 28 July 2017) and the ongoing optimization of its cinema business model. As of 31 December 2018, the Group has an aggregate of 494 cinemas with 3,014 screens operating in 29 provinces and 184 cities in China. In addition, there are 132 cinemas contracted to be opened but not yet to be in operation. In the future, the Group will consolidate its position of second in ranking among cinema investment and management companies throughout China and continue to increase its market shares.

In 2018, cities below the second-tier in China were still the main driving force to the growth of admission of audiences. The Group's strategic advantages of its prospective plan and the advantages of cinema network under the OSGH in first-tier cities have generated synergy effect. At the same time, the Group's "Film +" strategy achieved initial success. The Group established cooperation with Disney and obtained the official authorization to sell Disney's plush toys and food. The Group also co-operated with Burger King to open its first restaurant in Hangzhou. "Shi Bu (十步)", the Group's food and beverage brand, has constantly enriched its type of products and expanded its market size. The "Music ME Live (音樂ME現場)" has officially launched. In 2018, the Group's cinema business continued to develop and adjust in terms of business model and organization. After a year of repeated practice and optimization, the Group has basically confirmed to use the OMO (online and offline integration) business model with a user-centered approach based on two aspects of membership operation and improving service experience.

In 2018, the Group's advertising income maintained stable growth. As for the products, in 2018, the Group effectively utilized the space in cinema lobby and shopping malls and optimized and transformed the digital projection platform. The Group also combined client's idea with offline scenarios to achieve the conversion of scenarios from offline to online. As for the customers, the team actively expanded the direct sales customer base to the motor vehicles and internet industries in 2018. At the same time, the team actively explored and developed business customers around the cinemas as it is considered that contributions from such customers will be an important part of cinema advertising income in the future.

Culture and Media Services (Continued)

Business Review (Continued)

Dadi Film

In 2018, the film market in China continued to achieve new record highs. With continuous improvement in quality, domestic films have been recognized by the audience and the market. Like many consumer industries in China, the film market has reflected the transformation from "channel-oriented" to "quality-oriented" in 2018.

During the year, Dadi Media (HK) Limited and its subsidiaries (collectively referred to as "Dadi Film") under the Dadi Media continued to develop its business in three aspects of film content, animation and distribution.

In 2018, the Company invested in a number of blockbusters with high reputation. The Company also joined forces with the industry's leading companies to initiate and implement relevant framework cooperation plans. During the year, the distribution team completed the distribution and promotion of several films. As for animation content industry, "Mini Force X", which was invested by the Company, was published on Tencent and iQIYI, both are network video platforms, in October 2018 and achieved over 100 million click rates on Tencent within 3 months and top-ranked in the iQIYI Children's Channel Hot List (愛奇藝少兒頻道熱度榜). At the same time, the team convened an authorized investment promotion conference to introduce the integration of the product development and product launch strategy of the licensee by formulating distribution and authorization plan for the overall IP operation with an aim to maximize its internal value.

Oristar

After a decade of meticulous efforts, products of Oristar Technology (HK) Limited and its subsidiaries (collectively referred to as "Oristar") are well recognised by the market. During the year, Oristar participated in facility construction for approximately 9,000 halls, and entered into technology service contracts with approximately 1,478 cinemas, covering 30 provinces, autonomous regions and municipalities across China.

During the year, Oristar launched the platform of "Huiyingyun" (慧影雲) with the big data of cinema users as the core, providing cinemas with comprehensive product development matrix in three major scenarios of marketing, operation and security, and setting up scene marketing channels and data platform for construction of cinemas and operation management to provide comprehensive services.

Culture and Media Services (Continued)

Prospects

Looking forward, the film market in China shows tremendous potential. In 2018, the box office in China hit a record high and achieved a higher growth rate as compared to that in North America and global markets. With 9,381 newly added screens across the country, the total number of screens has reached 61,439, which is the highest in the world. There are 19 domestic films with box office more than RMB500 million and 9 domestic films with box office over RMB1 billion.

As for the cinema operation business, the Group will continue to implement the OMO business model with a user-centered approach and further develop the membership system. We will use "U+" as our unified member brand and integrate our four major lines of cinemas, namely "Dadi Cinema", "OSGH Cinemas", "iFree Cineplex" and "Very Cinemas". We will also effectively enhance the linkage among nearly 500 cinemas across the country by enhancing brand influence with chain and large-scale cinemas and integrating its resources in order to provide value services for our users, consolidate and expand our membership base and strengthen our member's economic foundation.

The Group will further develop its "Film +" strategy. In the future, the Group will also provide various business value-added services items such as peripheral products, Disney's plush toys and food, children's entertainment area, co-operation with Burger King and live performance to increase production yield and gross profit, thereby achieving sound economic benefits. In 2019, along with commencement and development of diversification and digital operation of cinemas, we will also enrich our media products in cinemas by conducting IP cooperation and member joint marketing and providing entertainment scenario products in order to provide more marketing services of integrating cinemas scenario for customers.

As for the content, in 2019, Dadi Film will continue to put effort into developing and producing films with an aim to produce high-quality films that keep pace with the market for audiences. As for the animation content industry, the Group will keep exploring and developing authorized channels and seek for suitable product carrier and licensee based on nature and distribution concept of IP contents.

As for the cinema revenue services, regarding the fast-growing cinema industry in China, Oristar will launch the cinema revenue management cloud service system and smart cinema solutions and establish the Theatre Management System 4.0 (TMS4.0) + Advertising resources and screening management platform, so as to enhance its operational efficiency and profitability and provide quality online products and services for cinemas.

Property Development

Business Review

During the year, revenue of this business segment was approximately HK$9,908.3 million (2017: HK$9,958.1 million) and profit before income tax was approximately HK$6,018.3 million (2017: HK$5,820.4 million). Profit for the year was mainly attributable to the continuous recognition of the sales income of Phase 3 of "The Peninsula" property project of the Group during the year.

"The Peninsula" Project in Shenzhen

"The Peninsula" project of Nan Hai Development adheres to provide quality products with exquisite decorations. The sale of Phase 3 of "The Peninsula" was launched on 9 April 2016 in Shekou, Shenzhen. As of 31 December 2018, accumulated sales amounted to RMB20.303 billion. Up to 79,000 sq.m. in Phase 4 of "The Peninsula" will be made available for selling in 2019. The main construction has completed while the preparation for decorative work has commenced. The project also has a commercial area of approximately 55,800 sq.m., which is held by the Group and the operation will be commenced in the first half of 2020. It is expected to operate a number of businesses including smart hotel, social and creative business and shared offices.

"Free Man Garden" Project in Guangzhou

"Free Man Garden" project of Nan Hai Development in Guangzhou is located at the junction of Baiyun District and Huadu District, which enjoys the favorable factors brought by the airport economic area and takes advantage of new environmental concepts, scarce urban green areas and excellent community operations to create a 1.5 million square meters residential area in north of Baiyun district, Guangzhou. There are a total of eight phases in "Free Man Garden" project, of which Phase 1, 2, 4 and 7 have been sold out before 2018. Phase 3 will be self-owned for commercial use while the delivery of possession of Phase 4 commenced in September 2018 and that of Phase 7 will be commenced in May 2019. Phase 5, 6 and 8 are saleable, while Phase 5 and 6 has launched on 1 December 2018. As of 31 December 2018, a total of 101 flats were sold with the area of 12,326 sq.m. and the sales amount of RMB296 million.

In addition to two projects mentioned above, the Group actively explored a new model of cooperation in real estate business and developed domestic and overseas quality projects in various ways to achieve a stable and sustainable development in real estate business. Currently, the Group has entered into strategic cooperation agreements for various projects while invested in Guangzhou Jinghu Avenue project and successfully selected as the best applicant for the Taipei City One project. Guangzhou Jinghu Avenue project is located in the eastern side, opposite to Guangzhou Free Man Garden with the capacity building area (計容建築面積) of 78,000 sq.m., and will be developed into an integrated commercial project covering functions such as dining, hotel and entertainment.

Property Development (Continued)

Business Review (Continued)

"City One" Project in Taipei

On 27 December 2018, the Department of Rapid Transit Systems Taipei City Government announced that the Group has been selected as the best applicant for the City One project. As such, the Group will enter into the next phase of the bidding process and will commence negotiation on the terms of an investment agreement with the Taipei City authorities and it is expected to enter into such agreement in the first half of 2019 (as the case may be).

Prospects

2018 was a challenging year for the real estate industry. Due to continuous increase in domestic policy regulation, corporate finance tightening and the weak land market, the property market will enter the stage of adjustment in 2019 and the central government is establishing a long term mechanism for the real estate industry. Under the new situation, Nan Hai Development will take advantage on its existing projects, grasp the historical opportunities arising from the prosperous urban development in China, utilize the benefits under the policies regarding the construction of Guangdong-Hong Kong-Macao Greater Bay Area and integrate its industrial resources to further optimize the strategic network. At the same time, Nan Hai Development will build a robust capital chain and establish an effective internal operation and risk management and control to ensure the strong corporate development.

The Group is committed to green building and environmental-friendly technology, focusing on stereoscopic greening, key technology research and development as well as commercial transformation in the field of ecological construction. Its subsidiary 深圳市翠箓科技綠化工程有限公司 (Shenzhen Cui Lu Technology Engineering Company Limited*) has launched the first vertical greening system with international technology level in the country, solving a lot of technical problems in stereoscopic greening. The world's largest single three-dimensional green area, which is located in the "Free Man Garden" in Guangzhou, was completed in the second half of 2018 and perfectly integrated into the land with up to 33.5% green coverage.

Enterprise Cloud Services

Business Review

By virtue of the comprehensive cloud computing infrastructure services, e-commerce and total "Internet+" solutions offered for corporate clients in China, this segment spent unremitting efforts on the development of digitalization and smart operation. Leveraging on its unremitting efforts, this segment has successfully established an outstanding nation-wide business and localized service network in the industry, so as to effectively address "the last kilometer" problems from service providers to corporate clients. In the meantime, in respect of product development, after prolonged exploration and promotion, this segment successfully launched a series of leading cloud services corporate digitalization and transformation in the industry. 中企動力科技股份有限公司 (CE Dongli Technology Company Limited, "CE Dongli")'s portal business and 北京新網數碼信息技術有限公司 (Beijing Xinnet Cyber Information Company Limited, "Xinnet")'s cloud computing services have also commenced stably, which played a significant role in promoting the growth of the number of users.

During the year, with key subsidiaries CE Dongli and Xinnet as Sino-i's main business entities, more efforts were continuously made in the development of cloud services for corporate digitalization and smart operation by providing comprehensive IaaS (Infrastructure as a service), cloud application, corporate e-commerce services, "corporate digitalization transformation" total solutions and big data-based business intelligence cloud service to China market. During the year, revenue of this segment was approximately HK$997.9 million (2017: HK$829.3 million), representing an increase of approximately 20.3% over the corresponding period of last year, due to the increase in revenue generated from all-net portal products of CE Dongli. Loss before income tax was approximately HK$125.1 million (2017: HK$66.4 million).

Enterprise Cloud Services (Continued)

Business Review (Continued)

CE Dongli

With 19 years' experience of being a services provider for enterprises in China, CE Dongli has not only established a corporate "Internet+" product operating system but also built an extensive business and localized service network, providing one-stop solutions regarding a corporate smart operation for small and medium enterprises (SMEs). During the year, CE Dongli, on the basis of all-net portal services, continued to launch portal products for different industries and enterprises via its cloud platform, so as to meet the specific needs of different customers. While constantly improving its core business, CE Dongli is also committed to keep seeking breakthroughs in all key aspects of digital marketing, integrate its resources into key aspects such as transactions and customer management as well as launch new products in e-commerce and new retail business segment and foreign trade customer management segment. CE Dongli not only constantly improved its product system, but also continuously strengthened its management of direct branches across China and further enhanced its localized service capacity through the establishment of customer care divisions in various branches across China. In particular, the enhancement in service capacity of the "the last kilometer", which is crucial to enterprises, would make such services closer to user needs. In addition to providing digitalization and operation solutions for SMEs, CE Dongli is also constantly exploring new market opportunities. During the year, CE Dongli launched a high-end customized brand CE Ultimate (中企高呈), which is committed to providing high-end customers with a continuous "MarTech" digitalization and smart operation flagship service, continuously establishing digital marketing technology service capabilities, with a view to creating brand-new business value. Since its inception, CE Ultimate has provided a full range of digital operation for more than twenty Fortune Global 500 companies and approximately 100 top companies in various industries in China. In the meantime, in the process of meeting the complex digital needs of high-end customers, CE Dongli has continued to build its product and service capabilities, perform sampling and integration, and rely on the support of the middle structure of business (業務中台), gradually forming specific products and industry solutions for different industries and meeting the needs of customers at different stages. CE Dongli has also insisted to enhance the digital value of the enterprise and provide all customers groups with a full range of products and services of enterprise digital management suitable for their industry and its own development stage.

Enterprise Cloud Services (Continued)

Business Review (Continued)

Xinnet

During the year, Xinnet continued its cloud services such as IaaS, domain name hosting and synergistic communication for SMEs and micro-enterprises through internet online and distributor channels established across China. In 2018, relying on its core product "Arrow Cloud (箭頭雲)" and resources in the cloud data centre, Xinnet launched various solutions such as Public Cloud (公有雲), Proprietary Cloud (專有雲) and Hybrid Cloud (混合雲) to meet the growing business needs of users. The "Arrow Cloud" is also the first product to support IPV6 (Internet Protocol Version 6) with Trusted Cloud Qualification Certification (可信雲資質認證) and Computer Level 3 Protection Record (計算機三級等級保護備案), thereby enhancing product quality as well as improving and promoting the industry reputation and market brand awareness. In the meantime, Xinnet continued to improve the cloud business and operation platform, optimized customer experience and operational efficiency and ensured the effective implementation of strategies in the cloud computing business.

Prospects

The management of the Group considers that enterprises in China will continue to increase its investment in digitalization and transformation, and business intelligence services based on big data will be developed. Although it still takes time for market ramp-up and promotion, cloud services for corporate digitalization and smart operation and industrial solutions will enjoy the enormous room for development. Going forward, this segment will continue to improve its ground services capability by putting users as its core, relying on the industry and making full use of the Internet, which allows it to quickly respond to the needs of enterprises and provide timely solutions to issues. Meanwhile, this segment will enhance its overall operational capability and online services capability. In respect of product application, with an in-depth understanding of the industry's business scenarios, the Group will quickly respond to the needs of business scenarios in different industries based on the cloud product model and the middle structure of business (業務中台). Furthermore, this segment will also increase its capital investment in the data centre, cloud computing technology, automatic operation and maintenance technology as well as big data technology, and enhance its overall technical core competence to further develop and optimize its products and services for the enterprise's digital intelligent business scenario.

News Media Business

Business Review

There are two business divisions under the news media business, namely “HK01” and “Duowei Media”. During the year, total revenue of the news media business was approximately HK$222.0 million (2017: HK$246.3 million), of which revenue from third parties increased from HK$21.3 million to HK$54.3 million. Loss before income tax was approximately HK$385.9 million (2017: HK$322.5 million).

Based in Hong Kong, “HK01” is a pioneer of innovative media, aiming to create an internet lifestyle platform for Hong Kong people, which is a new conception of combining internet with news media business. In 2018, the internet lifestyle platform has undergone a series of product revolutions by adding the “eatojoy (e 肚仔)”, a food order and takeaway platform, preparing a platform for travel services and online donations, providing useful information such as weather and transportation as well as organizing various activities including market, concerts, film screenings, philosophy courses and forums. Traditional sports news has upgraded to “Sports Division” by strengthening the cooperation and service exchange with various internet services in order to provide Hong Kong people with a more comprehensive and quality internet service in all aspects based on news and information. During the year, the average number of daily page views of the website and mobile apps of HK01 reached to 5 million, which was more than doubled versus 2017. Page views reached over 10 million at peak and the average traffic in the fourth quarter amounted to over 7.20 million. Active users of webpages and mobile applications reached over 760,000, representing an increase of 25% over last year. In respect of members, the average number of new members per day was more than doubled compared to 2017. With high quality news reports, HK01 won 34 news awards, including 4 awards in “Human Rights Press Awards (《人權新聞獎》)”, the Excellent Journalism Award (《年度卓越新聞獎》) by The Society of Publishers in Asia and the US Telly Awards, an internationally recognized award. In addition, HK01 won 17 awards in “The Spark Awards” with three large-scale projects and one special channel.

“Duowei Media” is a news media focused on China and international political information and commentary and adopts the dual-centre development strategy of news and operations to implement the concept of “data-driven operation, operation-driven content”. During the year, Duowei Media’s webpage views reached 300 million, representing a year-on-year increase of 59%. As of the end of December 2018, the number of active members of “Duowei Media” has reached approximately 70,000, representing an increase of more than 40% as compared with 2017.

News Media Business (Continued)

Prospects

"HK01" strives to establish an internet lifestyle platform for Hong Kong people and will continue to further develop lifestyle platform functions and focus on strengthening its e-commerce, tourism services and convenient living services as well as continue to increase its effort in developing charity platform "01 heart (01心意)", "01 marathon(01齊跑)" and "eatojoy (e 肚仔)". In the case of the news media business, the integration of the content and editing business of "HK01" and "Duowei Media" will enhance synergy effect and cost effectiveness. We will actively develop creative new products, create user value and establish membership system.

Innovative Business

Business Review

During the year, revenue of innovative business was approximately HK$831.9 million (2017: HK$878.7 million) and loss before income tax was approximately HK$1,047.8 million (2017: HK$528.6 million). The decrease was due to the impairment of goodwill and assets arising from the adjustment of business model, disposal of inventories and closure of stores.

Crabtree & Evelyn, a world-renowned brand, broke its tradition and encountered new users and markets in 2018. After more than a year of preparation, we have begun to transform our brand position, product development, and operation mode etc.

According to our in-depth market exploration, Crabtree & Evelyn is set to target millennials and has completed the development of 58 new products of 3 series in 2018. Crabtree & Evelyn also attempted to transform from traditional retail to OMO operating model and is determined to pursue the OMO development path starting from e-commerce. As of the end of 2018, Crabtree & Evelyn has established its online shopping platform in UK, Australia, Singapore, Malaysia and Hong Kong etc. Thanks to the simple website design and user-friendly consumer experience, online income in Hong Kong achieved a significant growth. Moreover, Crabtree & Evelyn has also entered the China market in March 2018 by way of cross-border e-commerce through Tmall Global. During the Double Eleven shopping festival, Crabtree & Evelyn achieved the first place in the hand cream category of Tmall Global. On 30 November 2018, Crabtree & Evelyn opened its first offline experience flagship store in London. Adhering to the concept of "Growing up in exploration", Crabtree & Evelyn attracts users through social media and increases brand loyalty by various activities. It is expected that Crabtree & Evelyn's offline experience flagship store will be a place for customers to know each other and learn from each other through immersive activities.

Innovative Business (Continued)

Prospects

In 2019, Crabtree & Evelyn, our long-established brand, will inject new vitality, new concept, new product and new model, presenting a new look to our customers. We strongly believe that Crabtree & Evelyn will attract more users to become loyal customers along with the transformation of the operating model.

Financial Resources and Liquidity

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2018, net assets attributable to the owners of the Company amounted to approximately HK$6,199.8 million (31 December 2017: approximately HK$6,143.2 million), including cash and bank balances of approximately HK$8,297.6 million (31 December 2017: approximately HK$13,069.8 million) which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2018, the Group's aggregate borrowings were approximately HK$19,959.8 million (31 December 2017: approximately HK$24,156.0 million), of which approximately HK$11,759.1 million (31 December 2017: approximately HK$12,705.3 million) were bearing interest at fixed rates while approximately HK$8,200.7 million (31 December 2017: approximately HK$11,450.7 million) were at floating rates. The Group has partially managed interest rate risk through interest rate swap.

As at 31 December 2018, the gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt was approximately 62.64% (31 December 2017: approximately 60.64%).

As at 31 December 2018, the capital commitment of the Group was approximately HK$263.6 million (31 December 2017: approximately HK$3,104.6 million), of which approximately HK$31.1 million would be used for the renovation of the headquarters in Beijing, approximately HK$97.5 million would be used as capital expenditures for the expansion of its cinema business and approximately HK$135.0 million would be used for property development.

As at 31 December 2018, the Group's contingent liabilities were approximately HK$20.4 million in connection with the guarantees given to secure credit facilities (31 December 2017: approximately HK$19.5 million).

As at 31 December 2018, certain interests in leasehold land, buildings, other property, plant and equipment, properties under development and completed properties held for sale, investment properties and bank deposits with a total net carrying value of approximately HK$11,997.2 million were pledged to secure the credit facilities granted to the Group (31 December 2017: approximately HK$12,025.6 million). In addition, trading securities with a carrying value of approximately HK$0.2 million and certain shares of several subsidiaries were pledged and bank accounts were charged for securing the Group's credit facilities (31 December 2017: approximately HK$0.3 million).

Exposure to Fluctuation in Exchange Rates

The Group operated mainly in the PRC, and its operating expenses and revenue were primarily denominated and settled in Renminbi. The Group adopted Hong Kong dollars as its reporting currency, and the reported assets, liabilities and results may be affected by Renminbi exchange rate. As the majority of the Group's borrowings were primarily denominated in US dollars and Renminbi, it was exposed to foreign exchange risk. The Group has partially managed such risk through cross currency swap. The Group will still keep reviewing and monitoring the fluctuation in exchange rates between relevant currencies and consider using foreign exchange hedging instruments from time to time to minimize the risk exposure arising from changes in exchange rates. The Group will also proactively choose the type of currency for assets and liabilities based on its prejudgment of currency trend under practicable circumstances.

Employee and Remuneration Policy

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Group. In general, salary review is conducted annually. As at 31 December 2018, the Group had approximately 21,745 employees (2017: 20,813 employees). The salaries of and allowances for employees for the year ended 31 December 2018 were about HK$2,519.8 million (2017: HK$2,042.2 million). The Group focuses on providing skill and quality training for various levels of staff, and provides on-the-job capability training to its staff; in respect of staff quality, corresponding training on personal work attitude and work habits is also provided.

FINAL DIVIDEND

The Board has recommended a final dividend of 0.15 HK cents per ordinary share for the year ended 31 December 2018 (for the year ended 31 December 2017: 0.23 HK cents per ordinary share). The proposed dividend is subject to the approval of the shareholders at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 30 May 2019 in Hong Kong. The notice of Annual General Meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 27 May 2019 to 30 May 2019, both days inclusive, during which period no transfer of shares will be effected for the purposes of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 May 2019.

The register of members of the Company will be closed from 5 June 2019 to 6 June 2019, both days inclusive. during which period no transfer of shares will be effected, for the purpose of determining the shareholders' entitlement to the final dividend. In order to register the transfers, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 June 2019. The final dividend is payable on or before 31 July 2019 to the shareholders whose names appear on the register of members on 4 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018 and as of the date of this announcement, except for the deviations mentioned below:

CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

Since 12 February 2018, the Company has rectified the previous deviation concerning CG Code Provision A.2.1 by the appointment of Ms. Liu Rong as the CEO with effect from 12 February 2018. Prior to 12 February 2018, the role of CEO was also performed by Mr. Yu Pun Hoi, the chairman of the Company. The Board believed that vesting the roles of both chairman and CEO in the same person provided the Company with strong and consistent leadership, and allowed for effective and efficient planning and implementation of business decisions and strategies. By appointing Ms. Liu Rong as the CEO with effect from 12 February 2018, the Company complied with the requirements under CG Code Provision A.2.1 since 12 February 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Lau Yip Leung, Mr. Xiao Sui Ning and Mr. Ho Yeung Nang. The Audit Committee has reviewed with the auditor of the Company and the management, this results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2018 and discussed the auditing, financial control, internal control and risk management systems.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2018. The work performed by BDO 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 BDO on the preliminary results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 17 May 2018, Top Yield Ventures Limited (a wholly-owned subsidiary of the Company) issued the US$120,000,000 guaranteed senior notes that bear interest at 9.75% per annum due 2019. The notes are listed on the Hong Kong Stock Exchange.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the year ended 31 December 2018.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Hong Kong Stock Exchange and the Company (http://www.nanhaicorp.com). The 2018 annual report of the Company containing all the relevant information required by Appendix 16 to the Listing Rules will be published on the websites of the Hong Kong Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

By Order of the Board
Nan Hai Corporation Limited
Liu Rong
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2019

As at the date of this announcement, the directors of the Company are as follows:

Executive directors:	*Non-executive directors:*	*Independent non-executive directors:*
Mr. Yu Pun Hoi	Mr. Lam Bing Kwan	Mr. Lau Yip Leung
Ms. Liu Rong	Mr. Lung King Cheong	Mr. Xiao Sui Ning
		Mr. Ho Yeung Nang