Notes to Financial Statements

31 December 2018

1. CORPORATE AND GROUP INFORMATION

Hong Kong International Construction Investment Management Group Co., Limited is a limited liability company incorporated in Bermuda.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.

During the year, the Group was involved in the following principal activities:

- foundation piling and site investigation
- property development and investment
- investment

There were no significant changes in the nature of the Group's principal activities during the year.

As at 31 December 2018, the immediate holding company of the Company was HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and ultimately controlled by Hainan Province Cihang Foundation. Upon the completion of the transfer of approximately 69.54% of issued shares of the Company by HNA Finance I Co. Ltd. to Times Holdings II Limited on 27 March 2019, the Company has become a subsidiary of Times Holdings II Limited, a company incorporated in the Cayman Islands and ultimately controlled by The Blackstone Group L.P., which is listed on the New York Stock Exchange.

Information About Subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2018	2017	
Tysan Foundation (Hong Kong) Limited ("TFHKL")	Hong Kong	Ordinary HK$100	**100**	100	Investment holding
Tysan Contractors (Hong Kong) Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Project management and provision of consultancy and management services
Tysan Construction (Macau) Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Foundation piling
Tysan Foundation Limited (notes 1 and 2)	Hong Kong	Ordinary HK$141,000,000 Deferred HK$3,000,000	**100**	100	Foundation piling and site investigation
Tysan Foundation Geotechnical Limited (note 1)	Hong Kong	Ordinary HK$60,110,000	**100**	100	Foundation piling and site investigation
Tysan Machinery Hire Limited (notes 1 and 2)	Hong Kong	Ordinary HK$10,000 Deferred HK$200,000	**100**	100	Machinery hiring

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1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information About Subsidiaries *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Proficiency Equipment Limited (note 1)	Hong Kong	Ordinary HK$24,480,000	**100**	100	Machinery hiring and trading
Proficiency Engineering Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Provision of engineering services and machinery hiring
Lion Bright Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Machinery hiring and trading
Mac Proficiency Limited (note 1)	Macau	Ordinary MOP25,000	**100**	100	Provision of engineering services and machinery hiring
Tysan Management Limited (note 2)	Hong Kong	Ordinary HK$16,720,850 Deferred HK$2	**100**	100	Corporate management
Tysan Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Cottontree Pacific Limited*	British Virgin Islands ("BVI")	Ordinary HK$1	**100**	100	Investment holding
Tysan Foundation Holdings Limited* (note 1)	Bermuda	Ordinary HK$0.1	**100**	100	Investment holding
HKICIM Group Property Development & Investment Limited	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Sure Faith Investment Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Property holding
Duncan Properties Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Beneficial Enterprises Limited* (note 1)	BVI	Ordinary US$100	**100**	100	Investment holding
Fund House Limited (notes 1 and 5)	Hong Kong	Ordinary HK$2	**–**	100	Investment holding
Duncan Property Management (Shanghai) Company Limited* (notes 1, 3 and 5)	PRC/Mainland China	US$500,000	**–**	100	Property management
Federated Resources Limited* (note 1)	BVI	Ordinary US$100	**100**	100	Investment holding
Carriway Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding
Shanghai Changning Duncan Property Consulting Company Limited* (notes 1 and 3)	PRC/Mainland China	RMB200,000	**100**	100	Property consulting

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1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information About Subsidiaries *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2018	2017	
Great Regent Investments Limited (note 1)	Hong Kong	Ordinary HK$2	**100**	100	Investment holding and provision of sales and marketing services
Tysan Land (Shanghai) Limited* ("Tysan Shanghai") (notes 1, 4 and 5)	PRC/Mainland China	US$1,000,000	**–**	100	Property development
Great Prosper Limited (note 1)	Hong Kong	Ordinary HK$100	**100**	100	Investment holding and provision of sales and marketing services
Tysan Property Development (Tianjin) Company Limited* ("Tysan Tianjin") (notes 1, 3 and 5)	PRC/Mainland China	US$5,000,000	**–**	100	Property development
Sparkle Key Limited (note 1)	Hong Kong	Ordinary HK$10,000	**100**	100	Investment holding
Tysan Land (Shenyang) Limited* ("Tysan Shenyang") (notes 1 and 3)	PRC/Mainland China	US$108,300,000	**100**	100	Property development
Gainful Engineering Limited (note 1)	Hong Kong	Ordinary HK$1	**100**	100	Project management
Omnilink Assets Limited*	BVI	Ordinary HK$1	**100**	100	Investment holding
Onwards Asia Limited* (notes 1 and 5)	BVI	Ordinary HK$1	**–**	100	Investment holding
Top Genius Holdings Limited (notes 1 and 5)	Hong Kong	Ordinary HK$1	**–**	100	Property development
Twinpeak Assets Limited* (notes 1 and 6)	BVI	Ordinary HK$1	**100**	100	Investment holding
Milway Development Limited (notes 1 and 6)	Hong Kong	Ordinary HK$1	**100**	100	Property development
Silverbell Asia Limited*	BVI	Ordinary HK$1	**100**	100	Corporate financing
Benefit Developments Limited*	BVI	Ordinary HK$1	**100**	100	Investment
HKICIM (GP) II Limited* (note 1)	Cayman Islands	Ordinary US$1	**100**	100	Investment

1. CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information About Subsidiaries *(Cont'd)*

Name	Place of incorporation/ registration and business	Issued share/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2018	2017	
Benefit Developments III Limited*	BVI	Ordinary HK$1	**100**	100	Investment
HKICIM (GP) III Limited* (note 1)	Cayman Islands	Ordinary US$1	**100**	100	Investment

Notes:

1. Held through subsidiaries.

2. The deferred shares carry no rights to dividends (other than a fixed non-cumulative dividend at the rate of 5% per annum for any financial year during which the net profit of the relevant company available for dividends exceeds HK$1 billion), no rights to vote at general meetings, no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed in such a winding-up of a sum of HK$1,000 billion in respect of each ordinary share).

3. These entities are registered as wholly-foreign-owned enterprises under the PRC law.

4. This entity was registered as a Sino-foreign joint venture under the PRC law.

5. These entities were disposed of during the year. Details of the disposals were disclosed in note 42 to the financial statements.

6. These entities were disposed of subsequent to the end of the reporting period. Details of the disposals were disclosed in note 46(a) to the financial statements.

* Subsidiaries whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through profit or loss and derivative financial instrument which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to Financial Statements

31 December 2018

2.1 BASIS OF PREPARATION *(Cont'd)*

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

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

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

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification and Measurement

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets measured at amortised cost and at fair value through profit or loss remain the same. Trade receivables, financial assets included in prepayments, deposits and other receivables, pledged bank balances and cash and cash equivalents which are previously classified as loans and receivables under HKAS 39 are classified as financial assets at amortised cost upon initial application of HKFRS 9. The carrying amounts for all financial assets at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected credit loss based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets. Furthermore, the Group applies the general approach and record twelve-month expected credit loss that are estimated based on the possible default events on its other receivables and other financial assets at amortised cost within the next twelve months. There is no impact on the Group's accumulated impairment losses recorded on financial assets at 1 January 2018 upon initial adoption of the ECL requirements under HKFRS 9.

Notes to Financial Statements

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

Construction Services

Before the adoption of HKFRS 15, contract balances relating to construction contracts in progress were presented in the statement of financial position under "Amounts due from customers for contract works" or "Amounts due to customers for contract works" respectively. Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognise the related revenue before being unconditionally entitled to the promised goods or services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets or contract liabilities on an individual contract basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

(b) *(Cont'd)*

Construction Services *(Cont'd)*

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Increase/ (decrease) *HK$'000*
Assets	
Amounts due from customers for contract works	(279,411)
Trade and retention receivables	(511,850)
Contract assets	700,350
Total assets	(90,911)
Liabilities	
Trade and retention payables and accruals	1,481
Amounts due to customers for contract works	(247,027)
Contract liabilities	148,706
Total liabilities	(96,840)
Equity	
Retained profits	5,929

Notes to Financial Statements

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

(b) *(Cont'd)*

Construction Services *(Cont'd)*

Set out below are the amounts by which each financial statement line item was affected for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the Group's other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Amounts prepared under		
	HKFRS 15	Previous HKFRS	Increase/ (decrease)
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,971,170	3,030,858	(59,688)
Cost of sales	(2,846,748)	(2,900,621)	53,873
Gross profit	124,422	130,237	(5,815)
Profit before tax	493,232	499,047	(5,815)
Income tax expense	(132,336)	(132,336)	–
Profit for the year	360,896	366,711	(5,815)
Attributable to:			
Ordinary equity holders of the Company	360,908	366,723	(5,815)
Non-controlling interests	(12)	(12)	–
	360,896	366,711	(5,815)
Earnings per share attributable to ordinary equity holders of the Company			
Basic	HK10.64 cents	HK10.81 cents	(HK0.17 cent)
Diluted	HK10.59 cents	HK10.76 cents	(HK0.17 cent)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Cont'd)*

(b) *(Cont'd)*

Construction Services *(Cont'd)*

Consolidated statement of financial position as at 31 December 2018:

	Amounts prepared under		
	HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	HK$'000	***HK$'000***	***HK$'000***
Amounts due from customers for contract works	–	404,036	(404,036)
Trade and retention receivables	167,135	734,188	(567,053)
Contract assets	923,526	–	923,526
Total assets	1,090,661	1,138,224	(47,563)
Trade and retention payables and accruals	693,071	677,580	15,491
Amounts due to customers for contract works	–	132,365	(132,365)
Contract liabilities	69,197	–	69,197
Total liabilities	762,268	809,945	(47,677)
Net assets	328,393	328,279	114
Retained profits	1,169,963	1,169,849	114
Total equity	1,169,963	1,169,849	114

Sale of Properties

The Group's property development activities are carried out in the PRC and Hong Kong. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC and Hong Kong, the Group has assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon handover of the property to buyer, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the buyer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's sale of properties as deposits received in the consolidated statement of financial position. No significant financing component with a customer is recognised if the time period is one year or less.

The adoption of HKFRS 15 has had no significant impact on when the Group recognised revenue from sale of properties.

Notes to Financial Statements

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
HKFRS 16	*Leases* [1]
HKFRS 17	*Insurance Contracts* [3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement* [1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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. The Group expects to adopt the amendments prospectively from 1 January 2020.

Notes to Financial Statements

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK$43,668,000 and lease liabilities of HK$43,668,000 will be recognised at 1 January 2019.

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. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in Associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair Value Measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fair Value Measurement *(Cont'd)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of Non-Financial Assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, properties under development, properties held for sale, inventories, construction contract assets, financial assets and disposal groups classified as held for sale), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Related Parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, Plant and Equipment and Depreciation *(Cont'd)*

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	5%
Equipment and machinery	10% – 33⅓%
Furniture and fixtures	20%
Motor vehicles	20%
Motor yacht	10%
Leasehold improvements	10% – 33⅓%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Notes to Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment Properties *(Cont'd)*

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-Current Assets and Disposal Groups Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Properties Under Development

Properties under development which are developed in the ordinary course of business are included in current assets at the lower of cost and net realisable value.

The cost of properties under development comprises land cost, construction costs, professional fees, borrowing costs capitalised according to the Group's policy and other directly attributable expenses incurred during the development period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

On completion of construction, the properties are transferred to properties held for sale.

Properties Held for Sale

Properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost includes the cost of land, interest capitalised during the period of development and other direct costs attributable to the development of the properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis, less all costs to completion, if applicable, and costs of marketing and selling.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and Other Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Amortised Cost (Debt Instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and Other Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018) *(Cont'd)*

Subsequent Measurement *(Cont'd)*

Financial Assets at Amortised Cost (Debt Instruments) (Cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and Other Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and Other Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018) *(Cont'd)*

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purposes of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and Other Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018) *(Cont'd)*

Subsequent Measurement *(Cont'd)*

Available-For-Sale Financial Investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Impairment of Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018) *(Cont'd)*

General Approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified Approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of Financial Assets (Policies Under HKAS 39 Applicable Before 1 January 2018) *(Cont'd)*

Available-For-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of Financial Assets (Policies Under HKFRS 9 Applicable from 1 January 2018 and Policies Under HKAS 39 Applicable Before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial Liabilities (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and retention payables, other payables, interest-bearing bank and other borrowings and guaranteed notes.

Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial Guarantee Contracts (Policies Under HKFRS 9 Applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial Guarantee Contracts (Policies Under HKAS 39 Applicable Before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Derecognition of Financial Liabilities (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of Financial Instruments (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative Financial Instruments (Policies Under HKFRS 9 Applicable from 1 January 2018 and HKAS 39 Applicable Before 1 January 2018)

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current Versus Non-Current Classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction Contracts (Applicable Before 1 January 2018)

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fees earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from a contract customer.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to a contract customer.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside statement of profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue Recognition (Applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Construction Services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(b) *Sale Of Properties Held For Sale*

Revenue from sale of properties held for sale is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities.

(c) *Provision of Property and Fund Management Services*

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue Recognition (Applicable from 1 January 2018) *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

(d) Machinery Engineering Services

Revenue from the provision of machinery engineering services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) Machinery Trading

Revenue from machinery trading is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the machineries.

Revenue from Other Sources

Rental income is recognised on a time proportion basis over the lease terms.

Other Income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue Recognition (Applicable Before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) From Foundation Piling and Site Investigation Contracts

On the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" above;

(b) From the Sale of Properties Held for Sale

When the significant risks and rewards of ownership have been transferred to the buyer;

(c) From Machinery Trading

When the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the machines sold;

Notes to Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue Recognition (Applicable Before 1 January 2018) *(Cont'd)*

(d) Rental Income from Property and Machinery Leasing

In the period in which the properties and machines are leased and on the straight-line basis over the lease terms;

(e) From the Rendering of Property and Fund Management Services

In the period in which such services are rendered;

(f) Interest Income

On an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) Dividend Income

When shareholder's right to receive payment has been established.

Contract Assets (Applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities (Applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract Costs (Applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee Benefits

Share-Based Payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Employee Benefits *(Cont'd)*

Paid Leave Carried Forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension Schemes

The Group operated a defined contribution provident fund (the "Fund") for certain of its employees in Hong Kong, the assets of which were held separately from those of the Group and were managed by an independent professional fund manager. Contributions under the Fund were made based on a percentage of the eligible employees' basic salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. The ongoing contributions to the Fund were terminated on 1 April 1999.

Following the introduction of the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme"), the Group has restructured its retirement scheme arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Group has secured a Mandatory Provident Fund exemption status for the Fund and, in addition, has participated in an approved defined contribution MPF Scheme with effect from 1 December 2001, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries located in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their covered payroll to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign Currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current and Deferred Tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in notes 10 and 31 to the financial statements.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for Expected Credit Losses on Trade Receivables and Contract Assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 21 and note 22 to the financial statements, respectively.

Fair value of convertible bonds

The convertible bonds have been valued based on a multiple valuation technique as detailed in note 44 to the financial statements. The valuation requires the Group to determine the comparable companies and select the appropriate market multiples. In addition, the Group makes estimates about marketability discount and risk-free rate used. Management's estimation on the probability of potential investment is also involved. The Group classifies the fair value of the convertible bonds as Level 3. The fair value of the convertible bonds at 31 December 2018 was HK$833,732,000 (2017: Nil). Further details are disclosed in note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Cont'd)*

Estimation Uncertainty *(Cont'd)*

Impairment of Trade and Retention Receivables

Before 1 January 2018, the policy for impairment of trade and retention receivables of the Group is based on the evaluation of collectibility and ageing analysis of trade and retention receivables and on management's judgement. Significant judgement and estimates is required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Further details are disclosed in note 21 to the financial statements.

Percentage of Completion of Construction Works

The Group recognises revenue according to the percentage of completion of the individual contract of construction works. The Group's management estimates the percentage of completion of construction works based on actual costs incurred over the total budgeted costs. Corresponding contract revenue was also estimated by management based on contract sum and works values from variation works. Because of the nature of the activities undertaken for the construction contracts, the date at which the contracts are entered into and the date when the contract are completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

When determining the total budgeted costs, management makes reference to information such as (i) current or recent offers from subcontractors and suppliers, (ii) variation orders received from customers, and (iii) estimation on material costs, labour costs and other costs for the completion of the projects provided by quantity survey department.

Mainland China Land Appreciation Taxes ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs, business taxes and all property development expenditures. The tax is incurred upon transfer of property ownership.

Subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT. The Group has not yet finalised its LAT calculation and payments for certain of its property development projects with various tax authorities and the deductibility of expenditures incurred for each project is uncertain. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management's best estimates with reference to the past experience, tax regulations and correspondences with local tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated financial statements in the period in which such determination is made. Further details are disclosed in note 10 to the financial statements.

Write-Down of Properties Under Development

The Group performs a regular review on the carrying amounts of properties under development. Based on management's review, write-down of properties under development will be made when the estimated net realisable value has declined below the carrying amount.

In determining whether write-down should be made for the Group's properties under development, the Group takes into consideration the current market environment and the estimated net realisable value (i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale). A write-down is made if the estimated or actual net realisable value of the properties under development is less than the carrying amount as a result of change in market condition and/or significant variation in the budgeted development cost. Further details are disclosed in note 17 to the financial statements.

Notes to Financial Statements

31 December 2018

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel as follows:

(a) the foundation piling segment (including site investigation operation);

(b) the property development and investment segment;

(c) the investment segment; and

(d) the "corporate and others" segment comprises, principally, the Group's corporate operation, and machinery leasing and trading businesses.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax.

The adjusted profit/loss before tax is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs and fair value gain/loss on derivative instrument are excluded from such measurement.

Segment assets exclude deferred tax assets, tax prepaid and time deposits as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Year Ended 31 December 2018

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue: (note 5)										
Sales to external customers	**2,530,539**	2,494,053	**282,973**	738,420	**122,206**	6,443	**35,452**	51,240	**2,971,170**	3,290,156
Intersegment sales	**393,409**	100,560	**–**	–	**–**	–	**1,151**	1,815	**394,560**	102,375
Other income and gains, net	**7,697**	11,203	**16,443**	6,296	**137,013**	10,865	**17,690**	12,639	**178,843**	41,003
Total	**2,931,645**	2,605,816	**299,416**	744,716	**259,219**	17,308	**54,293**	65,694	**3,544,573**	3,433,534
Reconciliation:										
Elimination of intersegment sales									**(394,560)**	(102,375)
Revenue									**3,150,013**	3,331,159
Segment results	**(23,306)**	146,873	**578,524**	51,807	**242,826**	15,546	**(285,903)**	(83,055)	**512,141**	131,171
Interest income									**41,675**	15,844
Fair value loss on derivative instrument – transaction not qualifying as hedge									**–**	(33,057)
Finance costs									**(60,584)**	(18,490)
Profit before tax									**493,232**	95,468
Income tax expense									**(132,336)**	(90,035)
Profit for the year									**360,896**	5,433
Assets and liabilities										
Segment assets	**1,502,496**	1,196,000	**11,171,091**	15,473,222	**1,044,951**	745,308	**988,102**	2,074,232	**14,706,640**	19,488,762
Unallocated									**2,611,831**	280,430
									17,318,471	19,769,192
Segment liabilities	**708,062**	775,201	**475,430**	474,569	**2,092**	455	**338,568**	324,217	**1,524,152**	1,574,442
Unallocated									**3,631,656**	5,976,749
									5,155,808	7,551,191

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4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Year Ended 31 December 2018 *(Cont'd)*

	Foundation piling		Property development and investment		Investment		Corporate and others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Depreciation	**30,701**	41,630	**7,784**	1,208	**–**	–	**9,980**	18,550	**48,465**	61,388
Impairment of contract assets	**2,048**	–	**–**	–	**–**	–	**–**	–	**2,048**	–
Impairment/(write-back of impairment) of other receivables	**–**	–	**(144)**	1,029	**–**	–	**–**	–	**(144)**	1,029
Write-off of other receivables	**–**	–	**–**	–	**232**	–	**–**	–	**232**	–
Write-down of properties under development	**–**	–	**452,903**	–	**–**	–	**–**	–	**452,903**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	**(4,669)**	(6,969)	**5**	36	**–**	–	**(20)**	(375)	**(4,684)**	(7,308)
Loss/(gain) on disposal of subsidiaries, net	**–**	–	**(1,030,771)**	–	**–**	–	**716**	–	**(1,030,055)**	–
Gain on disposal of interests in an associate	**–**	–	**–**	–	**–**	–	**(143)**	–	**(143)**	–
Changes in fair value of investment properties	**–**	–	**–**	(23,175)	**–**	–	**–**	–	**–**	(23,175)
Gain on disposal of an investment fund at fair value through profit or loss	**–**	–	**–**	–	**–**	–	**–**	(11,163)	**–**	(11,163)
Fair value gain on financial assets at fair value through profit or loss	**–**	–	**–**	–	**(137,012)**	(10,865)	**(16,765)**	–	**(153,777)**	(10,865)
Capital expenditure	**56,733**	9,509	**–**	144	**–**	–	**2,083**	3,738	**58,816**	13,391

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

Geographical Information

(a) Revenue from External Customers

	Hong Kong		Macau		Elsewhere in the PRC		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**2,698,625**	2,553,979	**–**	3,122	**272,545**	733,055	**2,971,170**	3,290,156

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

(b) Non-Current Assets

Hong Kong		Macau		Elsewhere in the PRC		Consolidated	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
256,467	246,081	**–**	–	**–**	18	**256,467**	246,099

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information About Major Customers

Revenue of approximately HK$565,430,000, HK$388,882,000 and HK$321,732,000 were derived from sales by the foundation piling segment to Customer A, Customer B and Customer C, respectively, during the year. Revenue of approximately HK$844,447,000 was derived from sales by the foundation piling segment to Customer A during the year ended 31 December 2017.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers	**2,951,990**	–
Foundation piling and site investigation	**–**	2,494,053
Property development and investment	**–**	738,420
Management fee income from an investment fund	**–**	6,443
Others	**–**	51,240
Revenue from other sources		
Gross rental income	**19,180**	–
	2,971,170	3,290,156

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5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from Contracts With Customers

(i) Disaggregated Revenue Information

For the year ended 31 December 2018

Segments	**Foundation piling** *HK$'000*	**Property development and investment** *HK$'000*	**Investment** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Types of goods or services					
Machinery trading	–	–	–	2,101	2,101
Sale of properties held for sale	–	266,654	–	–	266,654
Construction services	2,530,539	–	–	–	2,530,539
Machinery engineering services	–	–	–	20,062	20,062
Management services	–	10,428	122,206	–	132,634
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990
Geographical markets					
Hong Kong	2,530,539	10,428	122,206	22,163	2,685,336
Mainland China	–	266,654	–	–	266,654
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990
Timing of revenue recognition					
Good transferred at a point of time	–	266,654	–	2,101	268,755
Services transferred over time	2,530,539	10,428	122,206	20,062	2,683,235
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from Contracts With Customers *(Cont'd)*

(i) Disaggregated Revenue Information *(Cont'd)*

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	**Foundation piling** *HK$'000*	**Property development and investment** *HK$'000*	**Investment** *HK$'000*	**Corporate and others** *HK$'000*	**Total** *HK$'000*
Revenue from contracts with customers					
External customers	2,530,539	277,082	122,206	22,163	2,951,990
Intersegment sales	393,409	–	–	1,151	394,560
	2,923,948	277,082	122,206	23,314	3,346,550
Intersegment adjustments and eliminations	(393,409)	–	–	(1,151)	(394,560)
Total revenue from contracts with customers	2,530,539	277,082	122,206	22,163	2,951,990

(ii) Performance Obligations

Information about the Group's performance obligations is summarised below:

Construction Services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

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31 December 2018

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

Revenue from Contracts With Customers *(Cont'd)*

(ii) Performance Obligations *(Cont'd)*

Sale of Properties Held for Sale

The performance obligation is satisfied when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property and payment is due upon delivery of the property to the customer.

Management Services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

Machinery Engineering Services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

Machinery Trading

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	HK$'000
Within one year	2,185,433
More than one year	404,644
	2,590,077

The remaining performance obligations expected to be recognised in more than one year relate to construction services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE AND OTHER INCOME AND GAINS *(Cont'd)*

	2018 **HK$'000**	2017 *HK$'000*
Other income and gains:		
Interest income	**41,675**	15,844
Insurance claims	**1,039**	1,623
Subsidy income*	**212**	–
Fair value gains on financial assets at fair value through profit or loss	**153,777**	10,865
Gain on disposal of an investment fund at fair value through profit or loss	**–**	11,163
Management service income	**–**	247
Gain on disposal of interests in an associate (note 16)	**143**	–
Gain on disposal of items of property, plant and equipment	**4,683**	7,308
Foreign exchange gains, net	**–**	4,928
Write-back of impairment of an amount due from an associate	**13**	–
Write-back of impairment of other receivables	**144**	–
Others	**18,832**	4,869
	220,518	56,847

* There are no unfulfilled conditions or contingencies relating to this income.

6. FINANCE COSTS

	2018 **HK$'000**	2017 *HK$'000*
Interest on bank borrowings	**169,452**	115,576
Interest on other borrowing	**18,764**	–
Interest on guaranteed notes	**24,864**	7,944
Interest on loans from related companies	**11,533**	–
Less: Interest capitalised in properties under development (note 17)	**(164,029)**	(105,030)
	60,584	18,490

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7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2018** **HK$'000**	2017 HK$'000
Cost of properties sold		**201,931**	639,055
Cost of foundation piling and site investigation works		**2,557,712**	2,355,902
Cost of services rendered		**87,105**	95,050
Depreciation	14	**48,465**	61,388
Minimum lease payments under operating leases		**46,491**	45,719
Auditor's remuneration		**3,393**	3,180
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**442,848**	461,982
Equity-settled share option expense		**160,060**	–
Pension scheme contributions		**15,814**	18,816
		618,722	480,798
Foreign exchange losses/(gains), net*		**42,069**	(4,928)
Impairment/(write-back of impairment) of other receivables*	23	**(115)**	1,029
Write-back of impairment of other receivables included in disposal groups classified as held for sale*		**(29)**	–
		(144)	1,029
Impairment of contract assets*	22	**2,048**	–
Write-off of other receivables*		**232**	–
Gain on disposal of items of property, plant and equipment*		**(4,683)**	(7,308)
Gain on disposal of interests in an associate*	16	**(143)**	–
Fair value losses/(gains), net			
Financial assets at fair value through profit or loss*		**(153,777)**	(10,865)
Derivative instrument – transaction not qualifying as hedge*		**–**	33,057
Gain on disposal of an investment fund at fair value through profit or loss*		**–**	(11,163)
Changes in fair value of investment properties	15	**–**	(23,175)
Impairment/(write-back of impairment) of an amount due from an associate*		**(13)**	13
Write-down of properties under development*		**452,903**	–
Rental income from operating leases of machinery		**(13,289)**	(16,560)
Rental income from investment properties		**(5,891)**	(7,407)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**843**	885

* These amounts are included in "Other expenses, net" or "Other income and gains" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive directors	**673**	288
Independent non-executive directors	**1,619**	1,392
Other emoluments:		
Salaries, allowances and benefits in kind	**39,559**	47,948
Equity-settled share option expense	**114,806**	–
Pension scheme contributions	**63**	81
	156,720	49,709

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements and the report of the directors. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

Notes to Financial Statements

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8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2018					
Executive directors:					
Mr. Chen Chao[1]	–	–	–	–	–
Mr. Sun Kin Ho Steven[2]	–	1,234	19,435	7	20,676
Mr. He Jiafu[2]	–	–	8,669	–	8,669
Mr. Fung Chiu Chak, Victor ("Mr. Fung")	–	25,410	10,165	18	35,593
Mr. Liu Junchun	–	6,159	10,165	11	16,335
Mr. Huang Qijun[3]	–	1,833	17,281	–	19,114
Mr. Guo Ke[4]	–	–	8,669	–	8,669
Mr. Zhang Peihua[5]	–	–	–	–	–
Mr. Mu Xianyi[6]	–	955	8,496	–	9,451
Mr. Wong Tai Lun Kenneth[7]	–	3,251	6,041	15	9,307
Mr. Mung Kin Keung[8]	–	–	–	–	–
Mr. Mung Hon Ting, Jackie[9]	–	717	3,726	12	4,455
Mr. Li Xiaoming[10]	–	–	3,726	–	3,726
	–	39,559	96,373	63	135,995
Non-executive directors:					
Mr. Tang King Shing[11]	336	–	4,066	–	4,402
Mr. Yang Han Hsiang[12]	119	–	4,623	–	4,742
Mr. Tang Kit[13]	218	–	1,987	–	2,205
	673	–	10,676	–	11,349
Independent non-executive directors:					
Mr. Fan Chor Ho	336	–	1,728	–	2,064
Mr. Tse Man Bun	336	–	1,728	–	2,064
Mr. Lung Chee Ming, George	336	–	1,728	–	2,064
Mr. Li Kit Chee	336	–	1,728	–	2,064
Mr. Leung Kai Cheung[14]	275	–	845	–	1,120
	1,619	–	7,757	–	9,376
Total	2,292	39,559	114,806	63	156,720

Notes to Financial Statements

31 December 2018

8. DIRECTORS' REMUNERATION *(Cont'd)*

The remuneration paid or payable to each of the directors is as follows: *(Cont'd)*

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share option benefits *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
2017					
Executive directors:					
Mr. Huang Qijun[3]	–	925	–	–	925
Mr. Zhao Quan[16]	–	–	–	–	–
Mr. Fung	–	25,217	–	18	25,235
Mr. Chiu Chin Hung[17]	–	5,930	–	10	5,940
Mr. Lau Kin Fai[17]	–	5,855	–	10	5,865
Mr. Liu Junchun	–	3,600	–	20	3,620
Mr. Fan Ning[15]	–	1,265	–	–	1,265
Mr. Meng Yongtao[15]	–	1,195	–	–	1,195
Mr. Mu Xianyi[6]	–	–	–	–	–
Mr. Wong Tai Lun Kenneth[7]	–	3,711	–	18	3,729
Mr. Mung Hon Ting, Jackie[9]	–	250	–	5	255
Mr. Li Xiaoming[10]	–	–	–	–	–
	–	47,948	–	81	48,029
Non-executive directors:					
Mr. Tang King Shing[11]	144	–	–	–	144
Mr. Tang Kit[13]	144	–	–	–	144
	288	–	–	–	288
Independent non-executive directors:					
Mr. Fan Chor Ho	312	–	–	–	312
Mr. Tse Man Bun	312	–	–	–	312
Mr. Lung Chee Ming, George	312	–	–	–	312
Mr. Li Kit Chee	312	–	–	–	312
Mr. Leung Kai Cheung[14]	144	–	–	–	144
	1,392	–	–	–	1,392
Total	1,680	47,948	–	81	49,709

Notes to Financial Statements

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8. DIRECTORS' REMUNERATION *(Cont'd)*

Notes:

[1] Mr. Chen Chao was appointed as an executive director with effect from 26 October 2018.

[2] Mr. Sun Kin Ho Steven and Mr. He Jiafu were appointed as executive directors with effect from 3 August 2018.

[3] Mr. Huang Qijun was appointed as an executive director with effect from 15 July 2017.

[4] Mr. Guo Ke was appointed as an executive director with effect from 24 August 2018.

[5] Mr. Zhang Peihua was appointed as an executive director with effect from 9 November 2018.

[6] Mr. Mu Xianyi was appointed as an executive director with effect from 15 July 2017 and resigned with effect from 9 November 2018.

[7] Mr. Wong Tai Lun Kenneth was appointed as an executive director with effect from 26 January 2017 and resigned with effect from 26 October 2018.

[8] Mr. Mung Kin Keung was appointed as an executive director with effect from 1 February 2018 and resigned with effect from 3 August 2018.

[9] Mr. Mung Hon Ting, Jackie was appointed as an executive director with effect from 1 October 2017 and resigned with effect from 3 August 2018.

[10] Mr. Li Xiaoming was appointed as an executive director with effect from 29 December 2017 and resigned with effect from 24 August 2018.

[11] Mr. Tang King Shing was appointed as a non-executive director with effect from 15 July 2017.

[12] Mr. Yang Han Hsiang was appointed as a non-executive director with effect from 24 August 2018.

[13] Mr. Tang Kit was appointed as a non-executive director with effect from 15 July 2017 and resigned with effect from 24 August 2018.

[14] Mr. Leung Kai Cheung was appointed as an independent non-executive director with effect from 15 July 2017.

[15] Mr. Fan Ning and Mr. Meng Yongtao resigned as executive directors with effect from 15 July 2017.

[16] Mr. Zhao Quan resigned as an executive director with effect from 15 December 2017.

[17] Mr. Chiu Chin Hung and Mr. Lau Kin Fai resigned as executive directors with effect from 15 July 2017.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2017: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2017: two) non-director highest paid employee are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**8,042**	8,869
Equity-settled share option expense	**3,865**	–
Pension scheme contributions	**18**	18
	11,925	8,887

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	2018	2017
HK$4,000,000 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$11,500,001 to HK$12,000,000	**1**	–
	1	2

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

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10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	2018 HK$'000	2017 HK$'000
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	**21,086**	31,747
Elsewhere	**175,576**	14,175
	196,662	45,922
Overprovision in the prior years:		
PRC:		
Hong Kong	**(65)**	(60)
Elsewhere	**(381)**	(53,748)
	(446)	(53,808)
Deferred tax (note 31)	**(63,880)**	97,921
Total tax charge for the year	**132,336**	90,035

A reconciliation of the tax charge applicable to profit before tax at the statutory rates for the countries or regions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**493,232**	95,468
Tax at the statutory rates	**152,551**	13,208
Provision for land appreciation tax	**23,790**	10,807
Tax effect of land appreciation tax	**1,983**	53,350
Adjustments in respect of current tax of prior years	**(446)**	(53,808)
Income not subject to tax	**(125,176)**	(6,903)
Expenses not deductible for tax	**159,777**	28,568
Effect of withholding tax on the distributable profits of the Group's subsidiaries in Mainland China	**10,113**	(37,083)
Temporary difference arising from disposal groups held for sale	**(78,809)**	78,809
Tax losses utilised from prior years	**(16,970)**	(5,738)
Tax losses not recognised	**5,523**	8,825
Tax charge at the Group's effective rate	**132,336**	90,035

11. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 13 November 2017, Sparkle Key Limited (the "Shenyang Seller"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd. ("HNA Infrastructure"), a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group Co., Ltd., for disposal of the Shenyang Seller's entire equity interest in Tysan Shenyang at a cash consideration of RMB762 million (the "Shenyang Disposal"). Tysan Shenyang is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Pinnacle, in Shenyang. It primarily derives its revenue from the sale of residential properties . Upon completion of the Shenyang Disposal, Tysan Shenyang will cease to be a subsidiary of the Company and the Company will no longer have any interest in the property development projects. As at 31 December 2017, the Shenyang Disposal had not been completed.

As at 31 December 2018, although some completion conditions, such as business licence update and change of legal representative, were completed, certain completion conditions, including but not limited to administrative procedures with the Ministry of Commerce for foreign investment enterprise and the receipt of consideration payment, originally expected to be completed in 2018, were delayed and remained not completed. The Group re-evaluated the progress and expects the Shenyang Disposal to be completed in 2019. Accordingly, the assets and liabilities of Tysan Shenyang as at 31 December 2018 were classified as disposal groups classified as held for sale.

The major classes of assets and liabilities classified as held for sale as at the end of the reporting period are as follows:

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Assets			
Property, plant and equipment	14	**1,967**	4,278
Investment properties	15	**–**	227,814
Available-for-sale investment		**–**	1,196
Deferred tax assets	31	**–**	960
Properties under development	17	**–**	14,864
Properties held for sale	19	**1,165,888**	1,460,278
Trade and retention receivables		**55**	496
Prepayments, deposits and other receivables		**3,505**	10,085
Tax prepaid		**7,766**	15,649
Cash and cash equivalents		**23,683**	448,337
Assets classified as held for sale		**1,202,864**	2,183,957

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31 December 2018

11. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(Cont'd)*

The major classes of assets and liabilities classified as held for sale as at the end of the reporting period are as follows: (Cont'd)

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Liabilities			
Trade and retention payables and accruals (note a)		**118,246**	280,400
Contract liabilities (note c)		**1,167**	–
Other payables, deposits received and receipts in advance		**2,048**	34,824
Deposits received		**–**	54,428
Loans from related companies (note b)		**334,748**	–
Tax payable		**1,121**	5,428
Deferred tax liabilities	31	**1,942**	41,129
Liabilities directly associated with the assets classified as held for sale		**459,272**	416,209
Net assets directly associated with the disposal groups		**743,592**	1,767,748

Notes:

(a) Included in the balances as at 31 December 2018 are amount due to Tysan Shanghai of HK$2,118,000 and Tysan Tianjin of HK$198,000 which are unsecured, interest-free and have no fixed terms of repayment.

(b) As at 31 December 2018, the balances include a loan from Tysan Shanghai of HK$170,790,000 which is unsecured, bears interest at the interest rate published by The People's Bank of China ("PBOC") and is repayable on 29 September 2020, and a loan from Tysan Tianjin of HK$163,958,000 which is unsecured, bears interest at the interest rate published by PBOC and is repayable on 21 December 2019.

(c) Deposits received on properties sold as at 31 December 2018 which were previously included as "Deposits received" were reclassified to contract liabilities upon adoption of HKFRS 15.

As at 31 December 2017, the disposal groups classified as held for sale included the assets and liabilities of Tysan Shanghai, Tysan Tianjin and Tysan Shenyang. The disposals of Tysan Shanghai and Tysan Tianjin were completed on 30 April 2018, details of which were disclosed in note 42(a) to the financial statements.

Further details of the Shanghai Disposal (as defined in note 42(a)), Shenyang Disposal and Tianjin Disposal (as defined in note 42(a)) were disclosed in the Company's announcement dated 13 November 2017 and a circular dated 7 December 2017.

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12. DIVIDENDS

	2018 *HK$'000*	2017 *HK$'000*
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2017 – HK10.0 cents (2016: HK10.0 cents) per ordinary share	**340,249**	113,416
Proposed final dividend:		
Final – Nil (2017: HK10.0 cents per ordinary share)	**–**	340,249

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$360,908,000 (2017: HK$6,004,000), and the weighted average number of ordinary shares of 3,391,088,497 (2017: 2,380,256,154) in issue during the year. The weighted average number of shares in issue for the year ended 31 December 2017 used in the basic earnings per share calculation have been adjusted to reflect the effect of the rights issue completed in June 2017.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$360,908,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares of share options into ordinary shares during the year of 3,407,641,645. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2017.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Equipment and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Motor yacht HK$'000	Leasehold improvements HK$'000	Total HK$'000
2018							
Cost:							
At beginning of year	213,166	898,164	5,986	14,312	6,098	18,970	1,156,696
Additions	–	58,160	606	50	–	–	58,816
Disposals/write-off	–	(32,249)	(776)	(219)	(86)	(198)	(33,528)
Disposal of subsidiaries (note 42(c))	–	(93)	–	–	–	–	(93)
Exchange realignment	–	(4)	–	–	–	–	(4)
At 31 December 2018	213,166	923,978	5,816	14,143	6,012	18,772	1,181,887
Accumulated depreciation and impairment:							
At beginning of year	51,590	826,041	4,309	10,273	6,098	14,265	912,576
Depreciation provided during the year	7,788	36,737	540	1,514	–	1,886	48,465
Disposals/write-off	–	(32,226)	(616)	(219)	(86)	(198)	(33,345)
Disposal of subsidiaries (note 42(c))	–	(79)	–	–	–	–	(79)
At 31 December 2018	59,378	830,473	4,233	11,568	6,012	15,953	927,617
Net carrying amount:							
At 31 December 2018	153,788	93,505	1,583	2,575	–	2,819	254,270
At 31 December 2017	161,576	72,123	1,677	4,039	–	4,705	244,120

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Land and buildings *HK$'000*	Equipment and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Motor yacht *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
2017							
Cost:							
At beginning of year	215,235	930,711	5,661	19,674	6,098	20,710	1,198,089
Additions	–	9,868	671	369	–	2,483	13,391
Disposals/write-off	–	(39,938)	(178)	(726)	–	(2,007)	(42,849)
Assets included in disposal groups classified as held for sale (note 11)	(2,227)	(2,692)	(182)	(5,405)	–	(2,458)	(12,964)
Exchange realignment	158	215	14	400	–	242	1,029
At 31 December 2017	213,166	898,164	5,986	14,312	6,098	18,970	1,156,696
Accumulated depreciation and impairment:							
At beginning of year	44,283	818,728	3,859	12,929	6,098	15,209	901,106
Depreciation provided during the year	7,871	48,567	664	1,998	–	2,288	61,388
Disposals/write-off	–	(39,121)	(119)	(676)	–	(2,007)	(41,923)
Assets included in disposal groups classified as held for sale (note 11)	(605)	(2,321)	(103)	(4,287)	–	(1,370)	(8,686)
Exchange realignment	41	188	8	309	–	145	691
At 31 December 2017	51,590	826,041	4,309	10,273	6,098	14,265	912,576
Net carrying amount:							
At 31 December 2017	161,576	72,123	1,677	4,039	–	4,705	244,120
At 31 December 2016	170,952	111,983	1,802	6,745	–	5,501	296,983

Certain of the Group's land and buildings were pledged to a bank as security for certain banking facilities granted to the Group (note 28).

Certain of the Group's equipment and machinery are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

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15. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at beginning of year	–	189,250
Fair value changes (note 7)	–	23,175
Assets included in disposal groups classified as held for sale (note 11)	–	(227,814)
Exchange realignment	–	15,389
Carrying amount at end of year	–	–

The Group's investment properties as at 31 December 2017, which were included in assets of disposal groups held for sale, consisted of commercial properties in Mainland China. The directors of the Company had determined that the investment properties were commercial properties, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2017 based on valuations performed by Vigers Appraisal and Consulting Limited ("Vigers"), a firm of independent professionally qualified property valuers, at HK$227,814,000. During the year ended 31 December 2018, the investment properties were disposed of upon the disposal of a subsidiary completed on 30 April 2018 (note 42(a)).

As at 31 December 2017, the investment properties were leased to third parties under operating leases, further summary details of which were included in note 36(a) to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	227,814	227,814

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

15. INVESTMENT PROPERTIES *(Cont'd)*

Fair value hierarchy *(Cont'd)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties *HK$'000*
Carrying amount at 1 January 2017	189,250
Fair value changes	23,175
Exchange realignment	15,389
Carrying amount at 31 December 2017 and 1 January 2018	227,814
Disposal of a subsidiary (note 42(a))	(235,810)
Exchange realignment	7,996
Carrying amount at 31 December 2018	–

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 31 December 2017:

	Valuation techniques	Significant unobservable inputs	Range (weighted average) 2017
Commercial properties in Mainland China	Direct comparison approach	Property-specific adjustment rate	–38% to –9% (-20%)

As at 31 December 2017, the fair value of the Group's investment properties, included in assets of disposal groups classified as held for sale, was determined using the direct comparison approach by reference to the recent sales price of comparable properties in the open market, adjusted for size, location, floor level and quality of the Group's investment properties compared to the recent sales. The fair value measurement was positively correlated to the unobservable input that the higher the adjustment rate would resulted in a higher fair value.

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16. INTERESTS IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Share of net assets	–	–
Amount due from an associate	–	399
	–	399
Less: Impairment	–	(399)
	–	–

The amount due from an associate was unsecured, interest-free and had no fixed terms of repayment.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2018	2017	Principal activity
Turbo Dragon Investment Limited ("Turbo Dragon")	Ordinary share	Hong Kong	–	50	Investment holding

On 14 December 2018, Tysan Investment Limited ("TIL"), a wholly-owned subsidiary of the Company, and Mr. Fung, who is an executive director of the Company, entered into a sale and purchase agreement pursuant to which TIL disposed of its 50% equity interest in Turbo Dragon, and assigned the shareholder's loan of HK$386,000 owed by Turbo Dragon to TIL, at a cash consideration of HK$143,000. The disposal was completed on 14 December 2018. Upon completion of the disposal, the Group did not have any interest in Turbo Dragon. The gain on the disposal of HK$143,000, representing the difference between the consideration of HK$143,000 and the Group's interest in Turbo Dragon as at the date of disposal of Nil, was recognised in the consolidated statement of profit or loss for the year.

17. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Cost at beginning of year	**13,214,929**	14,286
Additions during the year	**322,694**	13,109,899
Transfer to properties held for sale (note 19)	**–**	(488)
Interest capitalised (note 6)	**164,029**	105,030
Assets included in disposal groups classified as held for sale (note 11)	**–**	(14,864)
Disposal of subsidiaries (note 42(b))	**(5,772,749)**	–
Exchange realignment	**–**	1,066
Cost at end of year	**7,928,903**	13,214,929
Less: provision	**(452,903)**	–
Balance at end of year	**7,476,000**	13,214,929

As at 31 December 2018, a write-down of HK$452,903,000 is recognised with reference to a valuation report performed by an independent property valuer based on expected future selling prices and costs necessary to complete the sale of the property.

As at 31 December 2018, the Group's properties under development with an aggregate carrying amount of HK$7,476,000,000 (2017: HK$13,214,929,000) were pledged to secure certain of the Group's bank loans (note 28).

18. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**19,058**	3,372
Spare parts and others	**13,254**	24,997
	32,312	28,369

19. PROPERTIES HELD FOR SALE

	2018 HK$'000	2017 HK$'000
At beginning of year	**–**	1,883,003
Additions	**–**	39,724
Transfer from properties under development (note 17)	**–**	488
Properties sold during the year	**–**	(579,109)
Assets included in disposal groups classified as held for sale (note 11)	**–**	(1,460,278)
Exchange realignment	**–**	116,172
At end of year	**–**	–

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20. CONSTRUCTION CONTRACTS

	2018 HK$'000	2017 HK$'000
Amounts due from customers for contract works	–	279,411
Amounts due to customers for contract works	–	(247,027)
	–	32,384
Contract costs incurred plus recognised profits less recognised losses to date	–	11,504,352
Less: Progress billings received and receivable	–	(11,471,968)
	–	32,384

21. TRADE AND RETENTION RECEIVABLES

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers other than for retention receivables are within 30 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group's trade and retention receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and retention receivable balances. Trade and retention receivables are non-interest-bearing.

	2018 HK$'000	2017 HK$'000
Trade and retention receivables	**167,164**	638,839
Impairment	**(29)**	(29)
	167,135	638,810

Included in the trade and retention receivables are amounts due from related companies of HK$32,291,000 (2017: HK$111,454,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

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

	2018 HK$'000	2017 HK$'000
Trade receivables:		
Within 90 days	**164,729**	401,869
91 to 180 days	**1,296**	12,637
181 to 360 days	**558**	2,154
Over 360 days	**552**	333
	167,135	416,993
Retention receivables	–	221,817
	167,135	638,810

21. TRADE AND RETENTION RECEIVABLES *(Cont'd)*

As at 31 December 2017, retention receivables, amounting to HK$178,063,000 were expected to be recovered within twelve months after the end of the reporting period.

The movements in the loss allowance for individual impairment of trade receivables are as follows:

	2018 **HK$'000**	2017 HK$'000
At beginning and end of year	**29**	29

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by service type, customer type and financial position of the customer). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Expected credit losses rate	**0%**	**0%**	**0%**	**100%**	**0.02%**
Gross carrying amount (HK$'000)	**131,970**	**34,614**	**551**	**29**	**167,164**
Expected credit losses (HK$'000)	**–**	**–**	**–**	**29**	**29**

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of HK$29,000 with a gross carrying amount before provision of HK$29,000. The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties and the receivables from these customers were not expected to be fully recoverable.

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21. TRADE AND RETENTION RECEIVABLES *(Cont'd)*

Impairment under HKAS 39 for the year ended 31 December 2017 *(Cont'd)*

The ageing analysis of the trade and retention receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *HK$'000*
Neither past due nor impaired	604,715
1 to 90 days past due	19,816
91 to 270 days past due	13,955
More than 270 days past due	324
	638,810

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The carrying amounts of the trade and retention receivables approximated to their fair values.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2018 ***HK$'000***	1 January 2018 *HK$'000*	31 December 2017 *HK$'000*
Contract assets arising from:			
Construction services	**924,249**	699,754	–
Others	**1,325**	596	–
	925,574	700,350	–
Impairment	**(2,048)**	–	–
	923,526	700,350	–

The excess of cumulative revenue recognised in profit or loss over the cumulative billings for construction services is recognised as contract assets. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 was the result of the increase in the ongoing provision of construction services at the end of the year. The Group's trading terms and credit policy with customers are disclosed in note 21 to the financial statements.

22. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Cont'd)*

(a) Contract assets *(Cont'd)*

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	2018
	HK$'000
Within one year	**694,141**
More than one year	**229,385**
Total contract assets	**923,526**

The movements in the loss allowance for impairment of contract assets are as follows:

	2018
	HK$'000
At the beginning of the year	**–**
Impairment losses (note 7)	**2,048**
At end of year	**2,048**

Included in the above impairment allowance for contract assets is an allowance for an individually impaired contract asset of HK$2,048,000 (2017: Nil) which was considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full. Except for the specific impairment allowance mentioned above, an impairment analysis is performed at each reporting date on the remaining contract assets using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases, the expected credit losses of contract assets were minimal as at 31 December 2018.

(b) Contract liabilities

	31 December 2018	1 January 2018
	HK$'000	*HK$'000*
Contract liabilities arising from:		
Construction services	**69,197**	167,378

The excess of cumulative billings for construction work over the cumulative work revenue recognised in profit or loss is recognised as contract liabilities.

Included in contract assets is an amount due from a related company of HK$1,254,000 (2017: Nil), which represents a retention receivable and is recoverable on credit terms similar to those offered to the major customers of the Group.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Deposits for acquisition of items of property, plant and equipment		**335**	41
Advance payment for capital injection to a fund	(i)	**367,700**	–
Consideration receivable	(ii)	**581,597**	–
Due from Tysan Building Construction Company Limited	(iii)	**102**	–
Prepayments and deposits		**39,272**	23,283
Other receivables		**46,935**	22,230
Less: Impairment allowance		**(293)**	(5,207)
		1,035,648	40,347
Less: Prepayments, deposits and other receivables classified as non-current assets		**(2,197)**	(899)
		1,033,451	39,448

Notes:

(i) Balance represented advance payment for capital injection of HK$367,700,000 made during the year to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership) ("Hengqin Zhonghang"), of which the general partner and the initial limited partner are subsidiaries of HNA Group Co., Ltd. ("HNA Group"), which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

(ii) Balance represented remaining consideration receivables of RMB510,800,000 (equivalent to approximately HK$581,597,000) from Hainan HNA Shou Fu Investment Co., Ltd. ("HNA Shou Fu"), a subsidiary of HNA Group, for disposal of subsidiaries, details of which are set out in note 42(a) to the financial statements. The balance is fully settled to the Group in March 2019.

(iii) Balance represented an amount due from Tysan Building Construction Company Limited ("TBC"), a related company of the Company, of HK$102,000 which is unsecured, interest-free and repayable on demand. TBC is controlled by Mr. Fung.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Cont'd)*

The movements in loss allowance of other receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	**5,207**	3,888
Impairment losses recognised (note 7)	**–**	1,029
Impairment losses written back (note 7)	**(115)**	–
Impairment losses written off	**(411)**	–
Assets included in disposal groups classified as held for sale	**–**	(28)
Disposal of subsidiaries	**(4,180)**	–
Exchange realignment	**(208)**	318
At end of year	**293**	5,207

Expected credit losses on other receivables are estimated by applying a loss rate approach with reference to historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for as at 31 December 2018 was 0.05%.

As at 31 December 2018, except for other receivables of HK$293,000 (2017: HK$5,207,000) which were fully impaired, none of the above assets was either past due or impaired and the financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2018 HK$'000	2017 HK$'000
Unlisted investment funds, at fair value	(i)	**96,519**	738,865
Unlisted wealth management investment in a fund, at fair value	(ii)	**362,011**	–
Convertible bonds, at fair value	(iii)	**833,732**	–
		1,292,262	738,865

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Cont'd)*

Notes:

(i) During the year ended 31 December 2017, the Group entered into an amended and restated exempted limited partnership agreement with Hisea International Co., Ltd ("Hisea International") in relation to the formation of HKICIM Fund II, L.P. ("Fund II") and subscribed 12.07% of the committed fund size amounting to HK$728,000,000. Hisea International was a then wholly-owned subsidiary of HNA Holding Group Co., Ltd. ("HNA Holding Group"), which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

During the year ended 31 December 2018, the Group entered into an amended and restated exempted limited partnership agreement with Hisea International in relation to the formation of HKICIM Fund III, L.P. ("Fund III") and subscribed 16.57% of the committed fund size amounting to HK$633,160,000.

Fund II and Fund III (collectively, the "Funds") primarily invested in Total Thrive Holdings Limited ("Total Thrive") and Sky Hero Developments Limited ("Sky Hero") (which, through intermediate holding companies, holding two property development projects at Kai Tak, Kowloon). On 12 February 2018, the Funds entered into separate sale and purchase agreements in relation to the disposal of their entire equity interests in Total Thrive and Sky Hero with Shibo Investment Limited and Easco Investment Limited, wholly-owned subsidiaries of Henderson Land Development Company Limited. This disposal was completed on 14 February 2018. Further details of this disposal were set out in the Company's announcement dated 12 February 2018.

During the year, the Funds have returned the initial committed capital of HK$1,361,160,000 in total to the Group. The fair values of the Funds as at 31 December 2018 were HK$96,519,000 (2017: HK$738,865,000) which were estimated with reference to the fair values of the underlying assets held by the Funds and aggregate fair value gains of HK$103,280,000 (2017: HK$10,865,000) were resulted and credited to the consolidated statement of profit or loss during the year.

(ii) During the year, the Group purchased an unlisted investment fund from a third party financial institution at a cost of HK$345,246,000 and was classified as held for trading. As at 31 December 2018, the fair value of the unlisted investment fund was HK$362,011,000 based on the quoted prices from the fund manager and a fair value gain of HK$16,765,000 was resulted and credited to the consolidated statement of profit or loss during the year.

(iii) On 30 June 2018, the Group subscribed for 3-year unsecured convertible bonds of an aggregate principal amount of HK$800,000,000, which bear interest at 8% per annum and carry a conversion option to convert the convertible bonds into 95% of the issued and outstanding share capital of Holistic Capital Investment Limited ("Holistic"), an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited ("HKA"). The Group has the right to convert the bonds to issued share capital of Holistic at any time prior to the maturity date and to request early redemption of the bonds at any time after 31 December 2018 if the potential investment has not been consummated on or before 31 December 2018. The convertible bonds are irrevocably and unconditionally guaranteed by HKA and Hong Kong Air Cargo Carrier Limited, a subsidiary of HKA and the sole shareholder of the convertible bonds issuer. The fair value of the convertible bonds as at 31 December 2018 was HK$833,732,000, based on an external valuation report prepared by Vigers, an independent professional valuer, and a fair value gain of HK$33,732,000 was resulted and credited to the consolidated statement of profit or loss during the year.

25. STRUCTURED DEPOSITS, CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED BANK BALANCES

	Notes	2018 HK$'000	2017 HK$'000
Structured deposits	(a)	**580,686**	–
Time deposits	(b)	**2,000,000**	250,000
Cash and bank balances			
– Non-pledged balances		**854,257**	2,077,460
– Pledged balances		**37,469**	41,414
– Restricted cash	(c)	**1,430,897**	–
Total cash and bank balances	(b)	**2,322,623**	2,118,874
Total time deposits and cash and bank balances		**4,322,623**	2,368,874
Less: Pledged and restricted bank balances			
– pledged for bank borrowings	28(d)	**(37,469)**	–
– pledged for performance bonds	38(a)	**–**	(41,414)
– restricted cash		**(1,430,897)**	–
		(1,468,366)	(41,414)
Cash and cash equivalents		**2,854,257**	2,327,460

	2018 HK$'000	2017 HK$'000
Denominated in:		
Renminbi ("RMB")	**592,846**	15,057
HK$	**4,310,089**	1,741,676
United States dollars ("US$")	**241**	611,764
Macao patacas ("MOP")	**80**	309
Other currencies	**53**	68
	4,903,309	2,368,874

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

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25. STRUCTURED DEPOSITS, CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED BANK BALANCES *(Cont'd)*

Notes:

(a) The structured deposits are wealth management products issued by a bank in Mainland China with fixed maturity dates and are classified as financial assets at fair value through profit or loss at 31 December 2018 as their contractual cash flows are not solely payments of principal and interest. The deposits are made for a period of 1 year. The interest rates on the structured deposits fluctuate based on changes in the London Interbank Offered Rate ("LIBOR"). The Group uses structured deposits primarily to enhance the return on investment.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 6 months to 1 year (2017: 7 days to 3 months) depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

(c) In accordance with the terms and conditions set out in the relevant bank loan agreements, the cash are required to be deposited into a designated bank account and restricted to be used for the construction of the relevant properties.

26. TRADE AND RETENTION PAYABLES AND ACCRUALS

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Trade payables:		
Within 90 days	**370,655**	243,992
91 to 180 days	**879**	359
Over 180 days	**25**	204
	371,559	244,555
Retention payables	**74,348**	75,197
Accruals	**247,164**	261,716
	693,071	581,468

The trade and retention payables are non-interest-bearing and are normally settled on 90-day terms.

As at 31 December 2018, retention payables, amounting to HK$43,131,000 (2017: HK$63,240,000) were expected to be repayable within twelve months after the end of the reporting period.

27. OTHER PAYABLES, DEPOSITS RECEIVED AND RECEIPTS IN ADVANCE

As at 31 December 2017, included in receipts in advance are amounts received from related companies of HK$29,057,000.

Other payables are non-interest-bearing and have an average term of one month.

28. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Secured:						
Bank loans	**2.6 – 5.4**	**2019 – 2022**	**3,163,628**	2.5 – 2.8	2018	5,805,434
Instalment loans	**2.6**	**2019 – 2031**	**70,664**	2.5	2018 – 2031	74,583
Total bank borrowings			**3,234,292**			5,880,017

	2018 ***HK$'000***	2017 HK$'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**232,952**	5,809,375
In the second year	**4,053**	4,040
In the third to fifth years, inclusive	**2,947,458**	12,739
Beyond five years	**49,829**	53,863
	3,234,292	5,880,017
Portion due within one year, classified as current liabilities	**(232,952)**	(5,809,375)
Long term portion	**3,001,340**	70,642

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28. INTEREST-BEARING BANK BORROWINGS *(Cont'd)*

As at 31 December 2018, the Group's secured bank borrowings were secured by:

(a) mortgages over certain of land and buildings of the Group with a carrying amount of HK$153,505,000 (2017: HK$161,283,000) (note 14);

(b) mortgages over properties under development of the Group with an aggregate carrying amount of HK$7,476,000,000 (2017: HK$13,214,929,000) (note 17);

(c) charges over shares of certain subsidiaries of the Company;

(d) fixed charges over bank balances of the Group amounting to HK$37,469,000 (2017: Nil) (note 25); and

(e) floating charges over bank balances and prepayments and deposits of the Group amounting to HK$1,437,492,000 (2017: HK$5,713,000) and HK$4,840,000 (2017: Nil).

In addition, the Company has executed guarantees in respect of borrowing facilities granted to certain of its subsidiaries (note 38(a)).

All of the bank borrowings of the Group bear interest at floating interest rates. The carrying amounts of the bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars.

29. INTEREST-BEARING OTHER BORROWING

	2018			2017		
	Effective interest rate (%)	**Maturity**	***HK$'000***	Effective interest rate (%)	Maturity	*HK$'000*
Unsecured:						
Other loan	**6.9**	**2020 – 2021**	**300,000**	–	–	–

	2018	2017
	HK$'000	*HK$'000*
Analysed into:		
Other borrowing repayable:		
In the third to fifth years, inclusive	**300,000**	–

The Group's other borrowing is unsecured, bears interest at 4.75% above the Hong Kong Interbank Offered Rate ("HIBOR") per annum and is repayable by 3 semi-annual equal instalments commencing from 9 January 2020. The Company has executed guarantees in respect of this borrowing. The other borrowing is denominated in Hong Kong dollars.

30. GUARANTEED NOTES

During the year ended 31 December 2017, Silverbell Asia Limited, a wholly-owned subsidiary of the Company, issued guaranteed notes with an aggregate principal amount of HK$305,000,000 (the "Guaranteed Notes") under a US$1,000,000,000 medium term note programme established by Silverbell Asia Limited on 7 April 2017.

The Guaranteed Notes bear interest at a fixed rate of 7% per annum payable semi-annually in arrears and will mature on 26 July 2020. The Guaranteed Notes are guaranteed by the Company.

The net proceeds of the Guaranteed Notes, after deducting the issue expenses of HK$10,849,000, were approximately HK$294,151,000.

	2018 ***HK$'000***	2017 *HK$'000*
At beginning of year	**295,343**	–
Issue of Guaranteed Notes	**–**	305,000
Issue expenses	**–**	(10,849)
Amortisation of issue expenses	**3,514**	1,192
Carrying amount at end of year	**298,857**	295,343

The effective interest rate of the Guaranteed Notes is 8.37% per annum.

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31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred Tax Liabilities

	Revaluation of investment properties HK$'000	Allowance in excess of related depreciation HK$'000	Withholding taxes HK$'000	Temporary difference arising from disposal groups classified as held for sale HK$'000	Total HK$'000
At 1 January 2017	(32,633)	(6,364)	(68,936)	–	(107,933)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(5,798)	1,825	37,083	(78,809)	(45,699)
Withholding tax paid on repatriation of earnings from subsidiaries in Mainland China	–	–	24,156	–	24,156
Liabilities included in disposal groups classified as held for sale (note 11)	41,129	–	–	–	41,129
Exchange realignment	(2,698)	–	(3,733)	–	(6,431)
At 31 December 2017 and 1 January 2018	**–**	**(4,539)**	**(11,430)**	**(78,809)**	**(94,778)**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	**–**	**(1,792)**	**(10,113)**	**78,809**	**66,904**
Withholding tax paid on repatriation of earnings from subsidiaries in Mainland China	**–**	**–**	**10,527**	**–**	**10,527**
Exchange realignment	**–**	**–**	**119**	**–**	**119**
At 31 December 2018	**–**	**(6,331)**	**(10,897)**	**–**	**(17,228)**

31. DEFERRED TAX *(Cont'd)*

Deferred Tax Assets

	Provision for land appreciation tax *HK$'000*	Depreciation in excess of related allowance *HK$'000*	Total *HK$'000*
At 1 January 2017	52,456	–	52,456
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(53,350)	1,128	(52,222)
Assets included in disposal groups classified as held for sale (note 11)	(960)	–	(960)
Exchange realignment	1,854	–	1,854
At 31 December 2017 and 1 January 2018	**–**	**1,128**	**1,128**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**–**	**(761)**	**(761)**
At 31 December 2018	**–**	**367**	**367**

As at 31 December 2018, deferred tax assets of HK$1,942,000 (2017: deferred tax liabilities of HK$41,129,000 and deferred tax assets of HK$960,000) are included in assets/liabilities included in disposal groups classified as held for sale (note 11). During the year ended 31 December 2018, the relevant net deferred tax charged to the statement of profit or loss is HK$2,263,000 with a net exchange realignment of HK$1,331,000 while the deferred tax liabilities of HK$42,856,000 and deferred tax assets of HK$1,035,000 are disposed of upon the completion of Shanghai Disposal and Tianjin Disposal (note 42(a)).

The Group has tax losses arising in Hong Kong of HK$250,395,000 (2017: HK$311,696,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the Corporate Income Tax ("CIT") Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. SHARE CAPITAL

Shares

	2018 *HK$'000*	2017 HK$'000
Authorised:		
6,000,000,000 ordinary shares of HK$0.10 each	**600,000**	200,000
Issued and fully paid:		
3,364,835,709 (2017: 3,402,497,709) ordinary shares of HK$0.10 each	**336,483**	340,249

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32. SHARE CAPITAL *(Cont'd)*

Shares *(Cont'd)*

Pursuant to an ordinary resolution passed at the special general meeting of the Company on 18 May 2017, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 of HK$0.10 each to HK$600,000,000 divided into 6,000,000,000 of HK$0.10 each by the creation of 4,000,000,000 additional ordinary shares of HK$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 January 2017		1,134,165,903	113,416	1,032,150	1,145,566
Issue of shares	(a)	2,268,331,806	226,833	9,027,961	9,254,794
Share issue expenses		–	–	(4,174)	(4,174)
At 31 December 2017 and 1 January 2018		**3,402,497,709**	**340,249**	**10,055,937**	**10,396,186**
Shares repurchased	(b)	**(38,862,000)**	**(3,886)**	**(54,129)**	**(58,015)**
Share options exercised	(c)	**1,200,000**	**120**	**2,481**	**2,601**
At 31 December 2018		**3,364,835,709**	**336,483**	**10,004,289**	**10,340,772**

Notes:

(a) In June 2017, the Company completed the rights issue of 2,268,331,806 ordinary shares of HK$0.10 each on the basis of two rights shares for every one share held of the Company at a subscription price of HK$4.08 per rights share (the "Rights Issue"). The net proceeds before share issue expenses from the Rights Issue were approximately HK$2,323,624,000, after setting off an amount of HK$6,931,170,000 (being the subscription price receivable for rights shares subscribed by the Company's immediate holding company) against the amount owed by the Company to the immediate holding company.

(b) During the year ended 31 December 2018, the Company purchased 38,862,000 of its own ordinary shares on the Hong Kong Stock Exchange for a total consideration of HK$58,015,000. The purchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value of approximately HK$3,886,000. The premium paid on the purchase of the shares of HK$54,129,000, including transaction costs, has been charged to the share premium of the Company.

(c) The subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$1.75 per share (note 33), resulting in the issue of 1,200,000 shares for a total consideration of HK$2,100,000. An amount of HK$501,000 was transferred from share option reserve to share capital and share premium upon exercise of the share options.

Share Options

Details of the Company's share option scheme are included in note 33 to the financial statements.

33. SHARE OPTION SCHEME

On 8 August 2012, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue at any time. No share option has been granted under the Share Option Scheme during the year.

A summary of the Share Option Scheme of the Company is as follows:

Purpose	To enable the board of directors (the "Board") to grant options to reward eligible participants who, in the sole and absolute opinion of the Board, would contribute or benefit or had contributed or benefited to the business, development and growth (and any other aspect whatsoever) of the Group and/or any of the entities in which any member of the Group holds any equity interest, and to provide incentives to eligible participants to perform their best in achieving the goals of the Group in the interests and benefits of the Company and the shareholders of the Company as a whole, while at the same time allowing the eligible participants to share the fruits of the Company's business achieved through their effort and contribution, as well as to enable the Group to recruit high quality employees who are valuable to the management and long term business and financial goals and success of the Group.
Eligible participants	A person who is entitled to participate in the Share Option Scheme, being any full-time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Company or any of the subsidiaries or any of the interested entities and any contractors, advisors, consultants, agents, suppliers or providers (of, for example, goods, plants and machineries, materials or services), customers, distributors, business ally or joint venture partners of the Group who, in the sole and absolute opinion of the Board, will contribute or benefit or have contributed or benefited to the business, development and growth (and any other aspect whatsoever) of the Company and/or any of the subsidiaries and/or any of the interested entities.
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	87,266,590 ordinary shares and 10% of the issued share capital, on the basis of 872,665,903 shares in issue as at the date of the Company's special general meeting on 8 August 2012.
Maximum entitlement of each participant	Shall not exceed 1% of the issued share capital of the Company in any 12-month period.
Period within which the securities must be taken up under an option	To be determined by the Board on a case-to-case basis at its absolute discretion and notified to the grantee thereof, provided that the expiry date of the said period shall not be later than ten (10) years from the date of grant of the option concerned.

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33. SHARE OPTION SCHEME *(Cont'd)*

A summary of the Share Option Scheme of the Company is as follows: *(Cont'd)*

Minimum period for which an option must be held before it can be exercised	To be determined at the discretion of the Board.
Amount payable on acceptance	Nil.
Basis for determining the exercise price	In respect of any particular option: the price per share payable to the Company on the exercise of the option as may be decided upon and prescribed by the Board on a case-to-case basis, bearing in mind the purpose of the Share Option Scheme, in its absolute discretion upon the grant of the option, provided that such exercise price shall not be less than the highest of the following: (a) the nominal value of a share; (b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day; and (c) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option, or where applicable, the exercise price for the option concerned (referred to (a) to (c) above) as may be adjusted by the Board from time to time pursuant to the rules of the Share Option Scheme concerning adjustments of, inter alia, the exercise price upon the occurrence of any relevant event as defined in the Share Option Scheme.
The remaining life of the scheme	The Share Option Scheme remains in force for a period of ten (10) years commencing from 8 August 2012 and expiring at the close of business hours of the Company on 7 August 2022.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

33. SHARE OPTION SCHEME *(Cont'd)*

The following share options were outstanding under the Share Option Scheme during the year:

	2018 Weighted average exercise price *HK$ per share*	2018 Number of options *'000*
At beginning of year	–	–
Granted during the year	1.78	385,830
Exercised during the year	1.75	(1,200)
Exercised but shares not yet allotted during the year	1.75	(1,200)
Lapsed during the year	1.75	(67,300)
At end of year	1.79	316,130

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018 Number of options *'000*	Exercise price* *HK$ per share*	Exercise periods
99,070	1.75	20-7-2018 to 19-7-2028
97,370	1.75	1-1-2019 to 19-7-2028
42,760	1.75	1-1-2020 to 19-7-2028
37,405	1.90	18-10-2018 to 17-10-2028
37,405	1.90	1-1-2019 to 17-10-2028
2,120	1.90	1-1-2020 to 17-10-2028
316,130		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$201,500,000 (HK$0.45 to HK$0.59 each), of which the Group recognised a share option expense of HK$160,060,000 during the year.

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33. SHARE OPTION SCHEME *(Cont'd)*

The fair value of equity-settled share options granted during the year ended 31 December 2018 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the major inputs to the model used:

Date of grant	20 July 2018	18 October 2018
Dividend yield (%)	5.4	5.5
Expected volatility (%)	50	50
Risk-free interest rate (%)	2.155	2.424
Expected life of option (year)	10	10
Weighted average share price (HK$ per share)	1.75	1.90

During the year, a total of 67,300,000 share options lapsed upon resignation of the relevant directors and employees.

1,200,000 share options exercised during the year resulted in the issue of 1,200,000 ordinary shares of the Company and new share capital of HK$120,000 and share premium of HK$2,481,000 (before issue expenses), as further detailed in note 32 to the financial statements. The consideration of HK$2,100,000 received for another 1,200,000 share options exercised during the year was recorded as receipt in advance as corresponding ordinary shares are allotted subsequent to the end of the reporting period.

At the end of the reporting period, the Company had 316,130,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 316,130,000 additional ordinary shares of the Company and additional share capital of HK$31,613,000 and share premium of HK$533,154,000 before issue expenses.

Save as disclosed above, 67,300,000 share options granted under the Share Option Scheme lapsed during the year ended 31 December 2018 and the respective share option reserve of HK$10,284,000 was released.

Subsequent to the end of the reporting period, 1,800,000 share options were cancelled and 4,720,000 share options lapsed under the Share Option Scheme.

At the date of approval of these financial statements, the Company had 309,610,000 share options outstanding under the Share Option Scheme, which represented approximately 9.2% of the Company's shares in issue as at that date.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to statutory reserves which are restricted as to use.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in Liabilities Arising from Financing Activities

2018

	Trade and retention payables and accruals HK$'000	Other payables, deposits received and receipt in advance HK$'000	Interest-bearing bank borrowings HK$'000	Interest-bearing other borrowing HK$'000	Guaranteed notes HK$'000	Trade and retention payables and accruals included in disposal groups HK$'000
At 1 January 2018	581,468	34,395	5,880,017	–	295,343	280,400
Changes from financing activities	(196,445)	2,100	(2,651,353)	300,000	–	(17,595)
Interest expenses	45,537	–	–	–	3,514	11,533
Interest capitalised	158,401	–	5,628	–	–	–
Changes classified as operating cash flows	119,216	(26,662)	–	–	–	(159,191)
Changes classified as investing cash flows	(15,106)	(6,078)	–	–	–	3,357
Exchange realignment	–	–	–	–	–	(258)
At 31 December 2018	693,071	3,755	3,234,292	300,000	298,857	118,246

2017

	Trade and retention payables and accruals HK$'000	Interest-bearing bank borrowings HK$'000	Guaranteed notes HK$'000
At 1 January 2017	977,666	475,210	–
Changes from financing activities	(106,992)	5,404,130	294,151
Interest expenses	16,621	677	1,192
Interest capitalised	105,030	–	–
Changes classified as operating cash flows	(129,287)	–	–
Changes classified as investing cash flows	(1,248)	–	–
Liabilities directly associated with the disposal groups classified as held for sale	(280,400)	–	–
Foreign exchange movement	78	–	–
At 31 December 2017	581,468	5,880,017	295,343

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36. OPERATING LEASE ARRANGEMENTS

(a) As Lessor

The Group leases certain of its machinery (note 14), its investment properties (note 15) and properties held for sale (note 19) under operating lease arrangements, with leases negotiated for terms ranging from one to seventy-five months. The terms of the leases generally also require the tenants and customers to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants and customers falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**8,171**	15,389
In the second to fifth years, inclusive	**4,878**	20,683
	13,049	36,072

(b) As Lessee

The Group leases certain of its office properties, warehouses, staff quarters and certain machinery under operating lease arrangements, with leases negotiated for terms ranging from one to thirty-six months.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**29,874**	28,491
In the second to fifth years, inclusive	**30,219**	14,073
	60,093	42,564

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37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Property, plant and equipment:		
– contracted, but not provided for	**692**	23,041
Construction works relating to properties under development		
– contracted, but not provided for	**20,916**	68,022
Capital contributions to an investment fund		
– contracted, but not provided for	**–**	633,160

38. CONTINGENT LIABILITIES

(a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	*HK$'000*
Guarantees in respect of performance bonds in relation to subsidiaries	**325,219**	255,782

As at 31 December 2017, performance bonds of HK$36,980,000 were also supported by pledged bank balances of HK$41,414,000 (note 25).

(b) As at 31 December 2018, the Group provided guarantees in respect of mortgage facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounted to HK$4,645,000 (2017: HK$21,908,000).

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the relevant ownership certificates.

The fair value of the guarantees is not significant and the directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made for these guarantees in the financial statements.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and performance bonds are included in notes 28 and 38 to the financial statements, respectively.

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40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Outstanding balances with related parties

Details of the Group's balances with its associate and related companies as at the end of the reporting period are included in note 16, and notes 11, 21, 22 and 23, respectively, to the financial statements.

Particulars of amounts due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

Name	2018 *HK$'000*	Maximum amount outstanding during the year *HK$'000*	2017 *HK$'000*
Tysan Building Construction Company Limited	**1,460**	**5,111**	3,748
HKICIM Fund III, L.P.	**24,462**	**24,462**	–
HKICIM Fund V, L.P. ("Fund V")	**7,726**	**19,726**	–
Denco Properties Limited ("Denco")	**–**	**80,712**	49,815
Hongkong Island Construction Properties Co., Limited ("HKIC")	**–**	**78,273**	57,891
HNA Shou Fu	**581,597**	**632,626**	–
Hengqin Zhonghang	**367,700**	**367,700**	–
	982,945		111,454

TBC is controlled by Mr. Fung. Fund III and Fund V are non-wholly-owned subsidiaries of HNA Holding Group, which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company. Prior to the disposal of Total Thrive and Sky Hero, holding companies of Denco and HKIC, by Fund II and Fund III respectively on 14 February 2018 as detailed in note 24(a) to the financial statements, Denco and HKIC were both non-wholly-owned subsidiaries of HNA Group.

(b) Compensation of key management personnel of the Group

	2018 *HK$'000*	2017 *HK$'000*
Short term employee benefits	**69,750**	72,738
Equity-settled share option expense	**133,554**	–
Post-employment benefits	**159**	176
Total compensation paid to key management personnel	**203,463**	72,914

Further details of directors' remuneration are included in note 8 to the financial statements.

40. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Other transactions with related companies of the Group:

(1) Contracted and subcontracted works with related companies

(i) During the year ended 31 December 2018, TBC subcontracted rental and engineering works relating to tower cranes of approximately HK$32,000 (2017: HK$569,000) to the Group.

(ii) During the year ended 31 December 2018, the Group contracted building and construction works of approximately HK$5,915,000 (2017: Nil) to TBC.

(iii) During the year ended 31 December 2017, the Group subcontracted building services coordination works of approximately HK$300,000 to Tysan Project Management Limited ("TPML", a company ultimately controlled by Mr. Fung).

(iv) During the year ended 31 December 2017, TBC subcontracted foundation and site investigation works of approximately HK$1,225,000 to the Group.

(v) During the year ended 31 December 2017, Denco subcontracted foundation works of approximately HK$342,880,000 to the Group.

(vi) During the year ended 31 December 2017, HKIC subcontracted foundation works of approximately HK$443,800,000 to the Group.

(2) During the year ended 31 December 2018, the Group recorded a management fee income of HK$60,300,000 (2017: HK$6,443,000) from Fund II, HK$37,166,000 (2017: Nil) from Fund III and HK$24,740,000 (2017: Nil) from Fund V, respectively.

(3) During the period from 1 January 2018 to 14 February 2018, the Group has a project development income of approximately HK$5,518,000 (2017: HK$2,383,000) and HK$4,910,000 (2017: HK$2,982,000) from Denco and HKIC, respectively.

(4) During the year ended 31 December 2018, the Group was charged HK$58,000 (2017: HK$94,000) and HK$263,000 (2017: HK$512,000) by Hainan Marine Construction Project Management Contracting Co., Limited ("Hainan Marine Construction") for provision of BIM modeling services and BIM platform, respectively.

Hainan Marine Construction is a non-wholly-owned subsidiary of HNA Group, which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

(5) During the period from 1 May 2018 to 31 December 2018, interest expenses of HK$5,644,000 and HK$5,889,000 were charged by Tysan Shanghai and Tysan Tianjin, respectively, according to the terms detailed in note 11(b).

Upon completion of Shanghai Disposal and Tianjin Disposal to HNA Shou Fu on 30 April 2018, Tysan Shanghai and Tysan Tianjin became related companies of the Group.

(6) During the year ended 31 December 2018, the Group disposed items of property, plant and equipment of aggregate carrying amount of HK$39,000 at a cash consideration of HK$19,000 to Tremend Yield Limited, a company ultimately controlled by Mr. Fung.

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40. RELATED PARTY TRANSACTIONS *(Cont'd)*

(c) Other transactions with related companies of the Group: *(Cont'd)*

(7) During the year ended 31 December 2017, the Group subcontracted certain renovation works of its office properties of approximately HK$2,529,000 to TPML.

(8) During the year ended 31 December 2017, the Group charged TBC, Tysan Engineering (H.K.) Company Limited ("TEHK") and Cando Trading Limited ("Cando"), rental charges of HK$416,000, HK$121,000 and HK$101,000, respectively, and management fee of HK$162,000, HK$47,000 and HK$38,000, respectively. TBC, TEHK and Cando are ultimately controlled by Mr. Fung.

These transactions were entered into by the Group and its related companies in accordance with the terms of the respective agreements.

The related party transactions in respect of items (c)(1), (c)(2), (c)(3) and (c)(4) above, the disposals as detailed in notes 16, 42(a) and 42(d) and the acquisition as detailed in note 41 to the financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

41. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 19 April 2016, the Company, Fortunate Pool Limited ("Fortunate Pool") and Mr. Fung entered into a sale and purchase agreement, pursuant to which the Company agreed to purchase and Fortunate Pool agreed to sell 40% equity interests in TFHKL, a then non-wholly-owned subsidiary of the Company (the "Foundation Transaction"). Fortunate Pool, which is wholly-owned by Mr. Fung, is the non-controlling shareholder of the 40% issued shares of TFHKL.

The Foundation Transaction took place in two phases. Phase 1 of the Foundation Transaction was completed on 4 July 2016 when the Company paid cash of HK$732,192,000 to acquire 35% equity interest in TFHKL ("Phase 1 Transaction"). Immediately after the completion of Phase 1 Transaction, the Company's equity interest in TFHKL increased from 60% to 95%. Such transaction was accounted for as an equity transaction and the debit difference of HK$694,919,000 between the consideration of HK$732,192,000 and the carrying amount of the non-controlling interest of HK$37,273,000 was recorded in the retained profits in the equity during the period ended 31 December 2016.

As at 31 December 2016, Phase 2 of the Foundation Transaction was accounted for as a forward contract to acquire the shares held by the non-controlling interests in a subsidiary. The consideration payable of HK$104,598,000 was recognised as other payables and the corresponding debit was made to the forward equity contract in the equity.

Phase 2 of the Foundation Transaction, in which the Company paid cash of HK$104,598,000 to acquire the remaining 5% equity interest in TFHKL ("Phase 2 Transaction"), was completed on 27 April 2017. Immediately following the completion of Phase 2 Transaction, TFHKL became a wholly-owned subsidiary of the Company. Such transaction was accounted for as an equity transaction and the difference of HK$97,820,000 between the consideration of HK$104,598,000 and the carrying amount of the non-controlling interest of HK$6,778,000 was debited in the retained profits in the equity during the year.

Further details of the Foundation Transaction are set out in the Company's announcements dated 19 April 2016, 30 June 2016, 4 July 2016 and 27 April 2017, and a circular dated 23 May 2016.

42. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Tysan Shanghai and Tysan Tianjin

On 13 November 2017, Great Regent Investments Limited, Shanghai Changning Duncan Property Consulting Company Limited, Red Shine Investment Limited and Carriway Limited (collectively, the "Shanghai Sellers"), each being a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu, a subsidiary of HNA Group which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company, for disposal of the Shanghai Sellers' entire equity interests in Tysan Shanghai at a cash consideration of RMB585.8 million (the "Shanghai Disposal"). Tysan Shanghai is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Waterfront, in Shanghai. It primarily derives its revenue from the sales of residential property and to a relatively minor extent, leasing of property. The Shanghai Disposal was completed on 30 April 2018.

On 13 November 2017, Great Prosper Limited (the "Tianjin Seller"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu for disposal of Tianjin Seller's entire equity interest in Tysan Tianjin at a cash consideration of RMB435.8 million (the "Tianjin Disposal"). Tysan Tianjin is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Riverside, in Tianjin. It primarily derives its revenue from the sales of residential property. The Tianjin Disposal was completed on 30 April 2018.

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42. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(a) Disposal of Tysan Shanghai and Tysan Tianjin *(Cont'd)*

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,291
Investment properties	235,810
Available-for-sale investment	1,239
Deferred tax assets	1,035
Loans to the Group	364,119
Properties held for sale	35,462
Properties under development	15,137
Amounts due from the Group	21,777
Trade receivables	421
Prepayments, deposits and other receivables	4,991
Cash and cash equivalents	321,209
Trade payables and accruals	(5,279)
Deposits received and other payables	(3,104)
Tax payable	(5,498)
Deferred tax liabilities	(42,856)
	946,754
Release of exchange fluctuation reserve	(72,962)
Release of statutory reserve	(48,750)
Gains on disposal of subsidiaries credited to profit or loss	440,209
	1,265,251
Satisfied by:	
Cash consideration	632,625
Other receivables	632,626
Total consideration	1,265,251

An analysis of the net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal during the year was as follows:

Cash consideration	632,625
Cash and cash equivalents disposed of	(321,209)
Net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal	311,416

42. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(b) Disposal of Onwards Asia Limited

On 16 May 2018, Omnilink Assets Limited ("Omnilink"), a wholly-owned subsidiary of the Company, disposed of its entire equity interest in Onwards Asia Limited and assigned all amounts which Onwards Asia Limited owes to Omnilink as at that date to an independent party, Fabulous New Limited, at cash consideration of HK$6,348,343,000 (the "Onwards Asia Disposal"). The principal assets of Onwards Asia Limited comprise all the issued share capital of Top Genius Holdings Limited, which engages in property development project at Kai Tak, Kowloon.

	HK$'000
Net assets disposed of:	
Properties under development	5,772,749
Cash and cash equivalents	4,081
Trade and retention payables and accruals	(14,893)
Loan from the Group	(5,820,366)
	(58,429)
Loan from the Group assigned	5,820,366
Gain on disposal of a subsidiary credited to profit or loss	586,406
	6,348,343
Satisfied by:	
Cash consideration	6,348,343

An analysis of the net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal during the year was as follows:

Cash consideration	6,348,343
Cash and cash equivalents disposed of	(4,081)
Net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal	6,344,262

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42. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(c) Disposal of Fund House Limited

On 2 October 2018, Beneficial Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of its entire equity interest in Fund House Limited and assigned all amounts which Fund House Limited owes to Beneficial Enterprises Limited, at cash consideration of HK$17,000 (the "Fund House Disposal"). The principal assets of Fund House Limited comprise all issued share capital of Duncan Property Management (Shanghai) Co., Limited, which engages in the provision of property management services in the PRC. The Fund House Disposal was completed on 12 October 2018.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	14
Trade receivables	308
Prepayments, deposits and other receivables	52
Cash and cash equivalents	5,976
Trade payables and accruals	(213)
Other payables, deposits received and receipt in advance	(6,078)
Due to a related company	(2,825)
Loan from the Group	(10,939)
	(13,705)
Loan from the Group assigned	10,939
Release of exchange fluctuation reserve	(1,009)
Release of statutory reserve	(364)
Gain on disposal of subsidiaries credited to profit or loss	4,156
	17
Satisfied by:	
Cash consideration	17

An analysis of the net outflow of cash and cash equivalents in respect of the Fund House Disposal during the year was as follows:

Cash consideration	17
Cash and cash equivalents disposed of	(5,976)
Net outflow of cash and cash equivalents in respect of the Fund House Disposal	(5,959)

42. DISPOSAL OF SUBSIDIARIES *(Cont'd)*

(d) Disposal of Upwealth International Limited and Fortune Fortress Limited

On 14 December 2018, TIL disposed of its entire equity interests in Upwealth International Limited and Fortune Fortress Limited and assigned all amounts which Upwealth International Limited and Fortune Fortress Limited owing to TIL as at that date to Mr. Fung, at a cash consideration of HK$272,000 (the "Upwealth Disposal") and HK$92,000 (the "Fortune Fortress Disposal"), respectively. Upwealth International Limited and Fortune Fortress Limited were both an investment holding company which held a golf club membership.

	HK$'000
Net assets disposed of:	
Other assets	1,080
Loan from the Group	(1,281)
	(201)
Loan from the Group assigned	1,281
Loss on disposal of subsidiaries debited to profit or loss	(716)
	364
Satisfied by:	
Cash consideration	364

An analysis of the net inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal during the year was as follows:

Cash consideration and inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal	364

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43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2018

	Financial assets at amortised costs *HK$'000*	Financial assets at fair value through profit or loss – held for trading *HK$'000*	Total *HK$'000*
Financial assets at fair value through profit and loss	–	1,292,262	1,292,262
Trade receivables	167,135	–	167,135
Other receivables	628,341	–	628,341
Structured deposits	–	580,686	580,686
Pledged bank balances	37,469	–	37,469
Restricted cash	1,430,897	–	1,430,897
Cash and cash equivalents	2,854,257	–	2,854,257
	5,118,099	1,872,948	6,991,047

2017

	Loans and receivables *HK$'000*	Financial asset at fair value through profit or loss *HK$'000*	Total *HK$'000*
Financial asset at fair value through profit and loss	–	738,865	738,865
Trade and retention receivables	638,810	–	638,810
Other receivables	17,023	–	17,023
Pledged bank balances	41,414	–	41,414
Cash and cash equivalents	2,327,460	–	2,327,460
	3,024,707	738,865	3,763,572

43. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Cont'd)*

Financial liabilities

	2018 Financial liabilities at amortised cost *HK$'000*	2017 Financial liabilities at amortised cost *HK$'000*
Trade and retention payables	**445,907**	319,752
Other payables	**918**	4,402
Interest-bearing bank borrowings	**3,234,292**	5,880,017
Interest-bearing other borrowing	**300,000**	–
Guaranteed notes	**298,857**	295,343
	4,279,974	6,499,514

44. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value as at 31 December 2018 and 2017:

	2018 Fair value measurement using				2017 Fair value measurement using			
	Quoted price in active markets (Level 1) *HK$'000*	**Significant observable inputs (Level 2) *HK$'000***	**Significant unobservable inputs (Level 3) *HK$'000***	**Total *HK$'000***	Quoted price in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Financial assets at fair value through profit or loss	**–**	**458,530**	**833,732**	**1,292,262**	–	–	738,865	738,865
Structured deposits	**–**	**580,686**	**–**	**580,686**	–	–	–	–
	–	**1,039,216**	**833,732**	**1,872,948**	–	–	738,865	738,865

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 (2017: Nil).

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44. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

As at 31 December 2018, financial assets at fair value through profit or loss at Level 2 included unlisted investment funds (i.e. Fund II and Fund III) of HK$96,519,000 (2017: HK$738,865,000) and an unlisted wealth management investment in a fund of HK$362,011,000 (2017: Nil). The fair values of unlisted investment funds were estimated with reference to the fair values of the underlying assets held by Fund II and Fund III (i.e. net asset method). The fair value of the unlisted wealth management investment in a fund was based on the quoted prices from the fund manager.

The fair value of structured deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of structured deposits approximates to their carrying amounts as at the end of the reporting period.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Unlisted convertible bonds *HK$'000*	**Unlisted investment funds** *HK$'000*	**Total** *HK$'000*
Carrying amount at 1 January 2017	–	–	–
Additions	–	1,328,600	1,328,600
Disposal of an investment fund	–	(600,600)	(600,600)
Fair value gain	–	10,865	10,865
Carrying amount at 31 December 2017 and 1 January 2018	**–**	**738,865**	**738,865**
Additions	**800,000**	**633,160**	**1,433,160**
Return of investment	**–**	**(1,361,160)**	**(1,361,160)**
Investment income	**–**	**(17,626)**	**(17,626)**
Fair value gain	**33,732**	**103,280**	**137,012**
Transfer to Level 2	**–**	**(96,519)**	**(96,519)**
Carrying amount at 31 December 2018	**833,732**	**–**	**833,732**

The fair value of unlisted convertible bonds was based on an external valuation report prepared by Vigers by using multiple valuation technique and is basically composed of three parts, namely: (i) the expected present value of the debt component; (ii) the conversion option value derived from the right to convert the convertible bonds into shares of the issuer ("Conversion Option Value"); and (iii) the put option value derived from the right to request the issuer for an early redemption ("Put Option Value"). The expected present value of the debt component is determined by the present value of the bond's cash flow at the discount of the required yield. The Conversion Option Value is estimated by using a binomial model and the Put Option Value is estimated at the present value of its payoff, i.e. put price less debt component. As at 31 December 2017, the fair value of Fund II was estimated by reference to a valuation performed by Vigers by using the income approach adjusted by net asset method. Unlisted investment funds of HK$96,519,000 (2017: Nil) were transferred upon the Fund II and Fund III disposed of their entire equity interests in Total Thrive and Sky Hero to Shibo Investment Limited and Easco Investment Limited on 14 February 2018 (note 24(i)).

44. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

The Company's management decides to appoint which external valuer to be responsible for the external valuations of unlisted convertible bonds. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Below is a summary of the significant unobservable inputs of Level 3 instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 2017.

2018

	Valuation technique	**Significant unobservable inputs**	**Weight average**	**Sensitivity of fair value to 5% increase in unobservable input** *HK$'000*
Unlisted convertible bonds	Discounted cash flow method on debt component and binomial model	Risk-free rate	1.98%	40
		Market multiples	7.752	286
		Marketability discount	13.8%	(65)
		Probability of potential investment	2.5%	200

2017

	Valuation technique	Significant unobservable inputs	Weight average	Sensitivity of fair value to 5% increase in unobservable input *HK$'000*
Unlisted investment	Income approach adjusted by net asset method	Gross development value		
		– Residential	HK$28,500 per square feet	62,038
		– Retail	HK$40,000 per square feet	–
		– Car park	HK$3,300,000 per unit	–
		Marketing costs	3%	(2,607)
		Professional fee	6%	(1,147)
		Financing cost	5%	(1,460)
		Contingency fee	3%	(521)

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, restricted cash, pledged bank balances, financial assets included in prepayments, deposits and other receivables, trade receivables, contract assets, trade and retention payables, other payables, interest-bearing bank borrowings, interest-bearing other borrowing and guaranteed notes. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents, restricted cash, pledged bank balances, and trade and other receivables.

Maximum exposure as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets*	–	–	–	925,574	925,574
Trade receivables*	–	–	–	167,164	167,164
Financial assets included in prepayments, deposits and other receivables					
– Normal**	628,341	–	–	–	628,341
– Doubtful**	293	–	–	–	293
Pledged bank balances					
– Not yet past due	37,469	–	–	–	37,469
Restricted cash					
– Not yet past due	1,430,897	–	–	–	1,430,897
Cash and cash equivalents					
– Not yet past due	2,854,257	–	–	–	2,854,257
	4,951,257	–	–	1,092,738	6,043,995

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 21 and 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered as "doubtful".

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk *(Cont'd)*

Maximum exposure as at 31 December 2017

The credit risk on cash and cash equivalents and pledged bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade and retention and other receivables. The management of the Group monitors each individual trade debt on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk, with the exposure spreading over a large number of counterparties and customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and retention and other receivables are disclosed in notes 21 and 23 to the financial statements, respectively.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank and other borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	Decrease in profit before tax *HK$'000*	Decrease in equity* *HK$'000*
2018			
Bank borrowings	**100 basis points**	**(2,997)**	**–**
Other borrowings	**100 basis points**	**(3,000)**	**–**
2017			
Bank borrowings	100 basis points	(746)	–

* Excluding retained profits

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. In the current year, all of the Group's bank and other borrowings are denominated in Hong Kong dollars.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase in exchange rate %	Increase in profit before tax *HK$'000*
2018		
If Hong Kong dollar weakens against Renminbi	**5**	**25,546**
2017		
If Hong Kong dollar weakens against Renminbi	5	10

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018				
	On demand *HK$'000*	**Less than 12 months** *HK$'000*	**1 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Trade and retention payables	**–**	**445,907**	**–**	**–**	**445,907**
Other payables	**–**	**918**	**–**	**–**	**918**
Interest-bearing bank borrowings	**–**	**232,952**	**2,993,883**	**49,829**	**3,276,664**
Interest-bearing other borrowing	**–**	**–**	**300,000**	**–**	**300,000**
Guaranteed notes	**–**	**–**	**305,000**	**–**	**305,000**
Guarantees in respect of performance bonds in relation to subsidiaries	**325,219**	**–**	**–**	**–**	**325,219**
	325,219	**679,777**	**3,598,883**	**49,829**	**4,653,708**

	2017				
	On demand *HK$'000*	Less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Trade and retention payables	–	319,752	–	–	319,752
Other payables	–	4,402	–	–	4,402
Interest-bearing bank borrowings	–	5,809,375	16,779	53,863	5,880,017
Guaranteed notes	–	–	305,000	–	305,000
Guarantees in respect of performance bonds in relation to subsidiaries	255,782	–	–	–	255,782
	255,782	6,133,529	321,779	53,863	6,764,953

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 50%. Net debt includes trade and retention payables, other payables, interest-bearing bank and other borrowings and guaranteed notes less pledged bank balances, restricted cash and cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Trade and retention payables	**445,907**	319,752
Other payables	**918**	4,402
Interest-bearing bank borrowings	**3,234,292**	5,880,017
Interest-bearing other borrowing	**300,000**	–
Guaranteed notes	**298,857**	295,343
Less: Pledged bank balances	**(37,469)**	(41,414)
Restricted cash	**(1,430,897)**	–
Cash and cash equivalents	**(2,854,257)**	(2,327,460)
Net debt/(cash)	**(42,649)**	4,130,640
Total equity	**12,162,663**	12,218,001
Gearing ratio	**N/A**	34%

46. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of subsidiaries

On 1 February 2019, Omnilink and the Company (as Omnilink's guarantor) entered into a sale and purchase agreement with independent third parties, Fabulous New Limited and Wheelock Properties Limited (as Fabulous' guarantor), respectively, pursuant to which, Fabulous New Limited agreed to acquire from Omnilink the entire issue capital of Twinpeak Assets Limited and all amounts which Twinpeak Assets Limited owes to Omnilink as at the date of completion at cash consideration of HK$3,912,225,000. The principal assets of Twinpeak Assets Limited comprise all the issued share capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong. The disposal was completed on 15 February 2019. Details of the disposal were set out in the Company's announcements dated 1 February 2019 and 15 February 2019 and the circular dated 25 February 2019.

(b) Acquisition of subsidiaries

On 28 February 2019, Fundamental Assets IV Limited, a wholly-owned subsidiary of the Company, and Jinshang International Investment Company Limited ("Jinshang International"), an independent party, entered into a sale and purchase agreement, pursuant to which, Fundamental Assets IV Limited agreed to purchase and Jinshang International agreed to sell the entire issue capital of Superior Choice Holdings Limited ("Superior Choice") and the loans owed by Superior Choice and its subsidiary to Jinshang International at cash consideration of HK$700,000,000. The principal assets of Superior Choice Holdings Limited comprise all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong. The acquisition was completed on 28 February 2019.

(c) Acquisition of approximately 69.54% of issued shares of the Company by Times Holdings II Limited

Pursuant to the joint announcement dated 8 March 2019 ("Joint Announcement"), the Company and Times Holdings II Limited jointly announced that, on 8 March 2019, Times Holdings II Limited and HNA Finance I, the Company's then controlling shareholder, entered into a sale and purchase agreement pursuant to which, Times Holdings II Limited has conditionally agreed to purchase, and HNA Finance I has conditionally agreed to sell, 2,340,904,131 shares, which represent approximately 69.54% of issued shares of the Company as at the date of entering into the sale and purchase agreement, for an aggregate cash consideration of approximately HK$7,022,712,000 (representing HK$3.00 per share) (the "Times Transaction").

Upon closing of the Times Transaction on 27 March 2019, Times Holdings II Limited has become the controlling shareholder of the Company.

Further details of Times Transaction were disclosed in the Joint Announcement and the closing announcement dated 27 March 2019.

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47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**2,878**	5,587
Interests in subsidiaries	**8,369,661**	9,500,873
Total non-current assets	**8,372,539**	9,506,460
CURRENT ASSETS		
Amounts due from subsidiaries	**2,470,845**	106,105
Prepayments, deposits and other receivables	**4,224**	4,516
Cash and cash equivalents	**391,924**	2,085,712
Total current assets	**2,866,993**	2,196,333
CURRENT LIABILITIES		
Amounts due to subsidiaries	**297,974**	284,493
Trade payables and accruals	**10,325**	7,412
Other payables, deposits received and receipt in advance	**2,513**	334
Total current liabilities	**310,812**	292,239
NET CURRENT ASSETS	**2,556,181**	1,904,094
Net assets	**10,928,720**	11,410,554
EQUITY		
Issued capital	**336,483**	340,249
Reserves (note)	**10,592,237**	11,070,305
Total equity	**10,928,720**	11,410,554

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Forward equity contract HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2017	1,032,150	593,811	–	(104,598)	533,565	2,054,928
Profit for the year	–	–	–	–	408	408
Total comprehensive income for the year	–	–	–	–	408	408
Issue of shares (note 32)	9,027,961	–	–	–	–	9,027,961
Share issue expenses (note 32)	(4,174)	–	–	–	–	(4,174)
Forward acquisition of additional interests in a subsidiary (note 41)	–	–	–	104,598	–	104,598
2016 final dividend declared and paid (note 12)	–	–	–	–	(113,416)	(113,416)
At 31 December 2017 and 1 January 2018	**10,055,937**	**593,811**	**–**	**–**	**420,557**	**11,070,305**
Loss for the year	**–**	**–**	**–**	**–**	**(245,730)**	**(245,730)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**(245,730)**	**(245,730)**
Shares repurchased and cancelled (note 32)	**(54,129)**	**–**	**–**	**–**	**–**	**(54,129)**
Equity-settled share option arrangements (note 33)	**–**	**–**	**160,060**	**–**	**–**	**160,060**
Transfer of share option reserve upon the expiry of share options	**–**	**–**	**(10,284)**	**–**	**10,284**	**–**
Issue of shares (note 32)	**2,481**	**–**	**(501)**	**–**	**–**	**1,980**
2017 final dividend declared and paid (note 12)	**–**	**–**	**–**	**–**	**(340,249)**	**(340,249)**
At 31 December 2018	**10,004,289**	**593,811**	**149,275**	**–**	**(155,138)**	**10,592,237**

The contributed surplus of the Company included the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor amounting to HK$29,950,000. In addition, pursuant to a special resolution passed at the annual general meeting of the Company held on 7 August 2015, the entire amount of HK$563,861,000 standing to the credit of share premium account of the Company as at 7 August 2015 was cancelled, and the corresponding balance arising therefrom was credited to the contributed surplus account of the Company. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2019.