百利保控股有限公司
Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 617)

ANNOUNCEMENT OF 2018 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2018 HK$'M	Year 2017 HK$'M	% Change
Revenue	**5,894.3**	3,588.6	**+64.3%**
Gross profit	**2,002.1**	1,238.8	**+61.6%**
Operating profit before depreciation and amortisation, finance costs and tax	**1,603.0**	1,746.1	**-8.2%**
Profit for the year attributable to equity holders of the parent	**321.0**	528.5	**-39.3%**
Basic earnings per ordinary share attributable to equity holders of the parent	**HK21.75 cents**	HK42.47 cents	**-48.8%**
Proposed final dividend per ordinary share	**HK8.0 cents**	HK8.0 cents	–
Total dividends for the year per ordinary share	**HK10.8 cents**	HK10.5 cents	**+2.9%**

	As at 31st December, Year 2018 (Unaudited)	Year 2017 (Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	**HK$12.36**	HK$12.35	**+0.1%**
***Adjusted**	**HK$15.97**	HK$15.67	**+1.9%**

* compiled, for the purpose of reference, on an adjusted basis to restate the hotel property portfolio owned by the Regal group in Hong Kong at its market value at 31st December, 2017 and 2018, respectively, with the relevant deferred tax liabilities added back

- **During the year under review, the Group's property and hotel operation businesses have performed satisfactorily. Gross profit from its business operations, including those from all of its subsidiary undertakings, amounted to HK$2,002.1 million, which is more than 61% above the HK$1,238.8 million in 2017.**
- **Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK$1,603.0 million, which was comparatively lower than the corresponding amount of HK$1,746.1 million in the preceding year.**
- **The decrease in the operating profit was principally due to the fact that in 2017, the Group recorded significantly larger fair value gains on its portfolio of investment properties as compared to those in the year under review and, as affected by the downturn of the debt and capital markets, particularly in the second half of the year, the Group incurred fair value losses in its financial assets investment business during the year, as opposed to a profit contribution in 2017.**
- **Depreciation charges in the amount of HK$543.7 million have been provided on the Group's hotel properties in Hong Kong for the year (2017 – HK$525.6 million) which, although having no impact on the Group's cash flow, have nevertheless affected the reported results.**
- **Consolidated profit attributable to shareholders for the year amounted to HK$321.0 million (2017 – HK$528.5 million).**
- **P&R Holdings Limited (a joint venture 50:50 held by the Company and Regal Hotels International Holdings Limited and effectively a subsidiary of the Company) is the main operating arm for the Group's property development and investment businesses.**
- **P&R Holdings is currently undertaking a total of 8 projects in Hong Kong, including the large scale luxury residential development at Mount Regalia in Kau To, Sha Tin.**
- **Two of the development projects undertaken by P&R Holdings have been duly completed during 2018, respectively, the "We Go MALL" shopping mall development that was soft opened in May 2018 and "The Ascent" commercial and residential joint venture development with the Urban Renewal Authority of Hong Kong, the certificate of compliance of which was issued in July 2018.**

- **The hotel development project of P&R Holdings in Tai Kok Tsui, also awarded by the URA of Hong Kong, has recently been completed. It has been named as the "iclub Mong Kok Hotel" and soft opened for business operations after the issue of the hotel licence earlier in March 2019.**
- **To replenish its land bank, P&R Holdings acquired certain existing properties at Castle Peak Road in Cheung Sha Wan in October 2018, which are intended for a commercial/residential development.**
- **Most recently, P&R Holdings further completed the acquisition of certain existing properties in Shau Kei Wan, which are also intended for a commercial/residential development.**
- **The Group directly held a controlling shareholding interest in Regal which, in turn, held a controlling interest in the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that operates as the hotel owning entity.**
- **Apart from its property development and investment businesses, P&R Holdings also held an effective controlling shareholding interest in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, convertible bonds of Cosmopolitan. Cosmopolitan principally focuses on property development and investment and other investment businesses in the People's Republic of China.**
- **Detailed information on the business operations of Regal, Regal REIT and Cosmopolitan, the three listed subsidiaries of the Company, are contained in their separate results announcements released today.**
- **The Mount Regalia luxury residential project is the most significant development project so far undertaken by P&R Holdings. Upon the progressive disposals of the garden houses and apartment units in the project, substantial contributions of cash flow and development profits will be generated for the Group.**
- **Moreover, with the completion of the "We Go MALL" last year, P&R Holdings is building up a recurring income base that can complement its development profits.**
- **Over the past years, the Group as a whole has substantially grown in size and diversity and many of the projects undertaken are gradually coming to the stage of fruition. The Directors are optimistic of the future prospects of the Group and that increasing returns will be generated for the shareholders.**

FINANCIAL RESULTS

For the year ended 31st December, 2018, the Group achieved consolidated profit attributable to shareholders of HK$321.0 million, as compared to the profit of HK$528.5 million attained in the preceding year.

As mentioned in the profit warning announcement by the Company dated 20th March, 2019, although the profit achieved for the year under review was expected to be substantially lower than that recorded in 2017, the Group's property and hotel operation businesses have performed satisfactorily and generated gross profit higher than that attained in the prior year. The decrease in the profit for the year was principally due to the fact that in 2017, the Group recorded significantly larger fair value gains on its portfolio of investment properties as compared to those in the year under review and, as affected by the downturn of the debt and capital markets, particularly in the second half of the year, the Group incurred fair value losses in its financial assets investment business during the year, as opposed to a profit contribution in 2017.

Gross profit from its business operations, including those from all of its subsidiary undertakings, amounted to HK$2,002.1 million, as compared to HK$1,238.8 million in 2017. Operating profit before depreciation and amortisation, finance costs and tax for the year amounted to HK$1,603.0 million, which was comparatively lower than the corresponding amount of HK$1,746.1 million in the preceding year due to the reasons explained above. As the Group's hotel properties in Hong Kong are all owned and operated within the Group, they are classified in the Group's consolidated financial statements as property, plant and equipment and are subject to depreciation charges to conform to applicable accounting standards. Accordingly, depreciation charges in the amount of HK$543.7 million have been provided on these hotel properties for the year (2017 – HK$525.6 million) which, although having no impact on the Group's cash flow, have nevertheless affected the reported results.

Supplementary information showing the adjusted net asset value of the Company of HK$15.97 per share as at 31st December, 2018, after adjusting for the market value of the hotel properties in Hong Kong on the basis therein presented, is contained in the paragraph headed “Assets Value” in the section headed “Management Discussion and Analysis” in this announcement.

BUSINESS OVERVIEW

The Group comprises a total of four listed entities, with diversified business interests in properties, hotels, aircraft ownership and leasing and financial assets and other investments.

As at 31st December, 2018, the Group directly held a controlling shareholding interest of approximately 69.3% in Regal Hotels International Holdings Limited which, in turn, held approximately 74.6% of the outstanding units of Regal Real Estate Investment Trust, a listed subsidiary of Regal that operates as the hotel owning entity.

The Group’s property development and investment businesses in Hong Kong are principally undertaken through P&R Holdings Limited, a joint venture 50:50 held by each of the Company and Regal. As Regal is a listed subsidiary of the Company, P&R Holdings is effectively also a subsidiary of the Group.

Apart from its property development and investment businesses, P&R Holdings also held as at 31st December, 2018 an effective controlling shareholding interest of approximately 75.7% in Cosmopolitan International Holdings Limited (comprising interests in its ordinary shares and convertible preference shares) and, in addition, convertible bonds of Cosmopolitan. Cosmopolitan is consequently also a listed member of the Group, which principally focuses on property development and investment and other investment businesses in the People’s Republic of China.

Subsequent to the year-end date, a wholly owned subsidiary of P&R Holdings entered into Share Swap Agreements with three independent third parties in January 2019, pursuant to which P&R Holdings group sold an aggregate of 350 million ordinary shares of Cosmopolitan to the independent third parties, in exchange for their holdings in 200 million shares in Beijing Sports and Entertainment Industry Group Limited, a company listed on The Stock Exchange of Hong Kong Limited. The 350 million Cosmopolitan shares represent approximately 7.9% of the issued ordinary shares of Cosmopolitan and the share swap was based on an agreed value of HK$1.50 per Cosmopolitan share. Following the completion of the share swap arrangements, the shareholding interests of P&R Holdings group held in the issued ordinary share capital of Cosmopolitan has been reduced to 54.9%, which helped to increase the public float of Cosmopolitan.

Further information on the latest progress of the Group's property business as well as the financial results and operational review of Regal (including Regal REIT) and Cosmopolitan are presented below.

PROPERTIES

The property market in Hong Kong was relatively buoyant in the first half of the year under review, with land prices at the government land tenders recording new historical highs. Following the successive interest rate hikes in the United States, the escalation of the trade disputes between the United States and China and the introduction by the government of Hong Kong of a series of additional controlling measures, including the proposed vacancy tax on first-hand private residential properties, the property market in Hong Kong began to cool down in the second half of the year. Property prices in Hong Kong generally adjusted downwards in the fourth quarter and the volume of property transactions in the second half as a whole contracted notably from the levels in the first half of the year.

P&R Holdings is currently undertaking a total of 8 projects in Hong Kong, including the large scale luxury residential development at Mount Regalia in Kau To, Sha Tin. This development has a total gross floor area of about 349,500 square feet, comprising 24 garden houses and 136 apartment units together with car parks and club house facilities. The occupation permit and certificate of compliance for this development has been issued in September 2018 and February 2019, respectively. The marketing and sale programme for the houses and apartment units will be formally launched shortly.

Two of the development projects undertaken by P&R Holdings have been duly completed during 2018 which are, respectively, the "We Go MALL" shopping mall development that was soft opened in May 2018 and "The Ascent" commercial and residential joint venture development with the Urban Renewal Authority of Hong Kong, the certificate of compliance of which was issued in July 2018.

Most of the lettable space at the “We Go MALL” has been leased out or occupied and is generating satisfactory rental revenues. On the other hand, nearly all of the residential units in “The Ascent” have been sold and the profits from these unit sales have been reflected in the results of the Group under review. The commercial units are planned to be tendered for sale in the second quarter of 2019.

Two other current projects of P&R Holdings are for the development of hotels, one of which is located in Tai Kok Tsui, Kowloon and the other in Sheung Wan, Hong Kong. The hotel development in Tai Kok Tsui has recently been completed and soft opened for business operations after the issue of the business licence earlier this month. The hotel, named as the “iclub Mong Kok Hotel”, is being managed by a wholly owned subsidiary of Regal. The other hotel development in Sheung Wan is proposed to be named as the “iclub Sheung Wan II Hotel” and is scheduled to be completed in the second half of 2019.

As reported before, P&R Holdings acquired certain existing properties at Castle Peak Road in Cheung Sha Wan in October 2018, which are intended for a commercial/residential development. Most recently, P&R Holdings has further completed the acquisition of certain existing properties in Shau Kei Wan, which are also intended for a commercial/residential development.

P&R Holdings will continue to take steps to further replenish its land bank, both by way of acquisition of existing properties with development potentials as well as through participations in government land tenders.

In the meanwhile, the property development business of the Group in China is undertaken through the Cosmopolitan group.

Additional information on the Group’s property development projects and properties, including those undertaken by P&R Holdings, Regal and Cosmopolitan, are contained in the section headed “Management Discussion and Analysis” in this announcement.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2018, Regal achieved consolidated profit attributable to shareholders of HK$547.7 million, while the profit recorded in the preceding year was HK$982.1 million.

Further information on the principal business operations and outlook of Regal, including its Management Discussion and Analysis, is contained in Regal's announcement separately released today.

REGAL REAL ESTATE INVESTMENT TRUST

For the year ended 31st December, 2018, Regal REIT recorded consolidated profit before distributions to Unitholders of HK$2,251.7 million, as compared to the profit of HK$2,488.3 million for the financial year 2017.

Further information on the principal business operations and outlook of Regal REIT, including its Management Discussion and Analysis, is contained in Regal REIT's announcement separately released today.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

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

Further information on the principal business operations and outlook of Cosmopolitan, including its Management Discussion and Analysis, is contained in Cosmopolitan's announcement separately released today.

OUTLOOK

Having regard to the shortage in the supply of development lands and the high level of pent-up demands for different types of properties, the core fundamentals of the property market in Hong Kong remain strong and resilient. In the initial few months of 2019, market sentiment towards the property sector in Hong Kong turned positive, with prices of residential properties gradually reverting to a rising trend. The Mount Regalia luxury residential project is the most significant development project so far undertaken by P&R Holdings. On the progressive disposals of the garden houses and apartment units in the project, substantial contributions of cash flow and development profits will be generated for the Group.

Moreover, with the completion of the "We Go MALL" last year, P&R Holdings is building up a recurring income base that can complement its development profits.

Over the past years, the Group as a whole has substantially grown in size and diversity and many of the projects undertaken are gradually coming to the stage of fruition. The Directors are optimistic of the future prospects of the Group and that increasing returns will be generated for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment, construction and building related businesses, hotel ownership, hotel operation and management, asset management, aircraft ownership and leasing and other investments including financial assets investments.

The significant investments and business interests of Regal, the principal listed subsidiary of the Group, comprise hotel ownership business undertaken through Regal REIT, hotel operation and management businesses, asset management of Regal REIT, property development and investment, including those undertaken through the joint venture in P&R Holdings, aircraft ownership and leasing and other investment businesses.

Cosmopolitan is a listed subsidiary of the Group held through P&R Holdings. The principal business activities of the Cosmopolitan group comprise property development and investment and other investments, which are mainly focused in the PRC, and investment in financial assets.

The performance of the Group's property, construction and building related and other investment businesses, and the principal businesses of Regal and Regal REIT as well as those of Cosmopolitan during the year under review, the commentary on the hotel and property sectors in which the Group operates and the changes in the general market conditions and the potential impact on their operating performances and future prospects are contained in the sections headed "Business Overview" and "Outlook" above and in this sub-section as well as in the separate final results announcements for 2018 released by Regal, Regal REIT and Cosmopolitan.

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

P&R HOLDINGS LIMITED

P&R Holdings is a 50:50 owned joint venture established with Regal, with capital contributions provided by the Company and Regal on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings is effectively a subsidiary of the Company and its business scope encompasses the development of real estate projects for sale and/or leasing, the undertaking of related investment and financing activities, and the acquisition or making of any investments (directly or indirectly) in the financial assets of or interests in, or extending loans to, any private, public or listed corporations or undertakings that have interests in real estate projects or other financial activities where the underlying assets or security comprise real estate properties.

Further information relating to the property development projects being undertaken and properties owned by the P&R Holdings group in Hong Kong is set out below:

Apart from the Shun Ning Road development project in Sham Shui Po, Kowloon and the Anchor Street/Fuk Tsun Street development project in Tai Kok Tsui, Kowloon, both of which are being undertaken pursuant to the development contracts awarded by the Urban Renewal Authority of Hong Kong, all of the other ongoing development projects and properties are wholly owned by P&R Holdings group.

Domus and Casa Regalia at Nos.65-89 Tan Kwai Tsuen Road, Yuen Long, New Territories
This residential project has a site area of approximately 11,192 square metres (120,470 square feet) and provides a total of 170 units, comprising 36 luxurious garden houses and a low-rise apartment block with 134 units, having aggregate gross floor area of approximately 11,192 square metres (120,470 square feet). The occupation permit for the project was issued in November 2015 and the certificate of compliance was obtained in April 2016.

With the exception of 1 unit, all the other 133 units in the apartment block, named Domus, had been sold in 2015. The sale programme for the garden houses, named Casa Regalia, which constitute the main component of the development, was first launched in May 2016 and, up to date, a total of 25 houses have been sold or contracted to be sold. The 11 remaining houses will continue to be disposed of on a gradual basis but some of them may in the meantime be retained for rental income.

We Go MALL at No.16 Po Tai Street, Ma On Shan, Sha Tin, New Territories
This development site has a site area of 5,090 square metres (54,788 square feet) and a maximum permissible gross floor area of 15,270 square metres (164,364 square feet). The site has been developed into a shopping mall with 5 storeys above ground level and 1 storey of basement floor. The occupation permit for the project was issued in September 2017. Since its soft opening in May 2018, the "We Go MALL" has been well received and most of its lettable space has been leased out or occupied. This shopping mall development is yielding satisfactory rentals and will be retained for investment income.

The Ascent at No.83 Shun Ning Road, Sham Shui Po, Kowloon

This is a joint venture project awarded by the Urban Renewal Authority of Hong Kong through a tender process in March 2014. The land has a site area of 824.9 square metres (8,879 square feet) and has been developed into a 28-storey commercial/residential building (including 1 basement floor) with total gross floor area of 7,159 square metres (77,059 square feet), providing 157 residential units, 2 storeys of shops and 1 storey of basement carparks. The occupation permit for the project was issued in March 2018 and the certificate of compliance was obtained in July 2018. The presale of the residential units was launched in July 2016 and, up to date, only one residential unit remains unsold. Most of the units sold have been handed over to the respective purchasers on completion of the sale contracts and the profits derived therefrom accounted for in the year under review. The commercial units are planned to be tendered for sale in the second quarter of 2019.

Mount Regalia, 23 Lai Ping Road, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet). It has been developed into a luxury residential complex comprising 7 mid-rise apartment blocks with 136 units, 24 detached garden houses and 197 carparking spaces, with aggregate gross floor area of approximately 32,474 square metres (349,547 square feet). The occupation permit was issued in September 2018 and the certificate of compliance in February 2019. The marketing and sale programme will commence shortly and is planned to be undertaken in stages.

iclub Mong Kok Hotel at 2 Anchor Street, Tai Kok Tsui, Kowloon

This is a hotel development project also awarded by the Urban Renewal Authority of Hong Kong through a tender process in June 2015. The project has a site area of 725.5 square metres (7,809 square feet), with total permissible gross floor area of approximately 6,529 square metres (70,278 square feet) and covered floor area of approximately 9,355 square metres (100,697 square feet). The project has been developed into a hotel of 20 storeys, comprising 288 guestrooms with ancillary facilities. The occupation permit for the project was issued in October 2018 and the hotel soft opened for business after the issue of the hotel licence earlier in March 2019.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong, intended to be named as "iclub Sheung Wan II Hotel"

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is being developed into a hotel with 98 guestrooms and suites (totally 162 room bays), with total gross floor area of approximately 5,236 square metres (56,360 square feet) and covered floor area of approximately 6,420 square metres (69,120 square feet). The superstructure works have substantially been finished and the project is scheduled for completion in the second half of 2019.

Nos.291-293 and 301-303 of Castle Peak Road, Cheung Sha Wan, Kowloon

The properties comprise interests in 70% undivided shares of Nos.291-293 Castle Peak Road and 100% ownership interests of Nos.301-303 Castle Peak Road, which were acquired through private treaty in October 2018. The properties have a total site area of 488 square metres (5,260 square feet) and are intended for a commercial/residential development having an aggregate gross floor area of approximately 4,395 square metres (47,304 square feet).

Nos.9-19 Kam Wa Street, Shau Kei Wan, Hong Kong

The properties comprise 100% ownership interests of Nos.9-15 Kam Wa Street and interests in over 80% undivided shares of Nos.17-19 Kam Wa Street, which were recently acquired through private treaty in March 2019. The properties have a total site area of 518 square metres (5,580 square feet) and are intended for a commercial/residential development having an aggregate gross floor area of approximately 4,665 square metres (50,220 square feet).

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Regal is a listed subsidiary of the Company. Further information relating to the property projects undertaken and the principal properties owned by the Regal group, which (except for the property project in Portugal) are all wholly owned by Regal, is set out below:

Hong Kong

New hotel project intended to be named as "Regala Skycity Hotel" at the Hong Kong International Airport

In February 2017, a wholly owned subsidiary of Regal was awarded by the Airport Authority in Hong Kong the development right for a new hotel project at the Hong Kong International Airport.

The hotel project has a site area of approximately 6,650 square metres (71,580 square feet) and permissible gross floor area of 33,700 square metres (362,750 square feet) and is situated at a site surrounded by Terminal 2 of the Hong Kong International Airport, the Asia World-Expo and SkyPier. The hotel project is the first phase of the mega SKYCITY Project by the Airport Authority, which also contains large scale retail and offices, dining and entertainment facilities.

The new project is planned for the development of a 13-storey (including one basement floor) hotel with 1,208 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel will be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The superstructure works have commenced in September 2018. The new hotel is anticipated to be completed in late 2020.

Nos.150-162 Queen's Road West, Hong Kong

The Regal group has successfully acquired 100% ownership interests in the subject properties through private treaty transactions. The project has a combined site area of 682 square metres (7,342 square feet) and is planned for a commercial/residential development with gross floor area of about 5,842 square metres (62,883 square feet). The general building plans have been approved and the demolition works of the existing buildings will soon commence. The project is expected to be completed by 2021.

Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong

A total of 14 garden houses in Regalia Bay with total gross area of about 6,320 square metres (68,000 square feet) are still being retained, 8 of which are held as investment properties, 3 as held for sale and 3 as property, plant and equipment. The Regal group will continue to dispose of some of these houses if the price offered is considered satisfactory.

Overseas

Campus La Mola, Barcelona, Spain

This hotel property was acquired by the Regal group in 2014. It has a total of 186 rooms and was formerly operated by the Regal group under the name of La Mola Hotel & Conference Centre. The hotel property has subsequently been leased to an independent third party under a lease agreement that commenced in September 2017, which is yielding satisfactory rentals.

Fabrik, Rua Dos Fanqueiros 156, Lisbon, Portugal

The Regal group has a 90% interest in this property project, which is a rehabilitation and renovation project for a historic building located in an area of vast historical heritage. The building has gross development area of about 1,836 square metres (19,768 square feet) comprising shops and apartments. The design for the renovation programme has been approved by the local government authorities and the renovation works are expected to commence in the second quarter of 2019. The property project is intended for sale.

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

Cosmopolitan is a listed subsidiary of P&R Holdings. Further information relating to the property projects of the Cosmopolitan group in the PRC, all of which are wholly owned, is set out below:

Property Development

Chengdu Project – Regal Cosmopolitan City

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

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

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

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

Tianjin Project – Regal Renaissance

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

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

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

Xinjiang Project

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

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

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group's wholly owned construction arm, Chatwin Engineering Limited, was the main contractor for the construction of P&R Holdings' hotel developments at Bonham Strand, Sheung Wan (now operating as the iclub Sheung Wan Hotel), Merlin Street, Fortress Hill (now operating as the iclub Fortress Hill Hotel) and Ha Heung Road, To Kwa Wan (now operating as the iclub Ma Tau Wai Hotel), which were completed in January 2014, May 2014 and November 2016, respectively, as well as the residential project at Tan Kwai Tsuen Road, Yuen Long which was completed in November 2015. Chatwin is presently undertaking the main contract works for the iclub Mong Kok Hotel at Anchor Street/Fuk Tsun Street, Tai Kok Tsui, which were also awarded to Chatwin through competitive tender process. Due to the increasing number of projects undertaken by the Group as a whole, the Group's development consultancy division, which provides professional services on architectural, engineering and interior design aspects, is likewise principally supporting the needs of the Group's member companies.

FINANCIAL ASSETS AND OTHER INVESTMENTS

The Group holds a significant portfolio of investments comprising listed securities and other investments, including investment funds, bonds as well as treasury and yield enhancement products. Due to the relatively volatile conditions in the financial markets and particularly, the downturn of the debt and capital markets in the second half of the year, the Group incurred a loss in its financial assets investments business, most of which arose from the changes in the fair value of the financial assets held.

FINANCIAL REVIEW

ASSETS VALUE

All the hotel properties of the Group in Hong Kong are owned by Regal REIT and, with the exception of the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel, were stated in the financial statements at their fair values as at 7th May, 2012 when Regal, together with Regal REIT, became subsidiaries of the Group, plus subsequent capital additions and deducting accumulated depreciation. The market valuations of these hotel properties have since appreciated substantially but have not been reflected in the Group's financial statements. Moreover, the iclub Sheung Wan Hotel, the iclub Fortress Hill Hotel and the iclub Ma Tau Wai Hotel were stated in the Group's financial statements at cost after full elimination of the unrealised gain arising from the disposal of the hotels by P&R Holdings to Regal REIT, and are also subject to depreciation. For the purpose of providing supplementary information, if the entire hotel property portfolio of the Regal group in Hong Kong is restated in the consolidated financial statements at market value as at 31st December, 2018, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK$15.97 per share, computed as follows:

	As at 31st December, 2018	
	HK$'M	HK$ per ordinary share
Book net assets attributable to equity holders of the parent	**13,771.3**	**12.36**
Adjustment to restate the Regal group's hotel property portfolio in Hong Kong at its market value and add back the relevant deferred tax liabilities	**4,026.5**	**3.61**
Unaudited adjusted net assets attributable to equity holders of the parent	**17,797.8**	**15.97**

CAPITAL RESOURCES AND FUNDING

Funding and Treasury Policy

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

Property development projects in Hong Kong are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Property development projects in the PRC are presently financed by internal resources and proceeds from the presale of the units. Project financing for the projects in the PRC may be arranged in local currency on appropriate terms to cover a part of the land cost and/or construction cost, and with the loan maturity tied in to the estimated project completion date.

The Group's banking facilities are mostly denominated in Hong Kong dollar with interest primarily determined with reference to interbank offered rates, while its senior unsecured notes are denominated in US dollar with fixed coupon interest rates. The use of hedging instruments for interest rate purposes to cater to business and operational needs is kept under review by the Group's management from time to time. As the Hong Kong dollar is pegged to the US dollar, the exchange risks are considered to be insignificant and no currency hedging has been deployed. As regards the Group's overseas investments and investments in the PRC which are based in currencies other than US dollar and Hong Kong dollar, the Group will consider hedging part or all of the investment amounts into US dollar or Hong Kong dollar to contain the Group's exposure to currency fluctuation.

Cash Flows

Net cash flows used in operating activities during the year under review amounted to HK$476.4 million (2017 – net cash flows generated from operating activities of HK$40.8 million). Net interest payment for the year amounted to HK$375.4 million (2017 – HK$317.9 million).

Borrowings and Gearing

As at 31st December, 2018, the Group had cash and bank balances and deposits of HK$2,718.7 million (2017 – HK$4,817.2 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK$16,850.6 million (2017 – HK$13,235.9 million).

As at 31st December, 2018, the gearing ratio of the Group was 37.5% (2017 – 29.0%), representing the Group's borrowings net of cash and bank balances and deposits of HK$16,850.6 million (2017 – HK$13,235.9 million), as compared to the total assets of the Group of HK$44,907.6 million (2017 – HK$45,632.4 million).

On the basis of the adjusted total assets as at 31st December, 2018 of HK$52,608.5 million (2017 – HK$52,602.2 million) with the hotel portfolio owned by the Regal group in Hong Kong restated at its market value on the basis presented above, the gearing ratio would be 32.0% (2017 – 25.2%).

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

Pledge of Assets

As at 31st December, 2018, certain of the Group's property, plant and equipment, investment properties, properties held for sale, financial assets at fair value through profit or loss, financial assets at amortised cost, time deposits and bank balances in the total amount of HK$28,697.5 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2018, certain ordinary shares in a listed subsidiary with a market value of HK$457.2 million were also pledged to secure general banking facilities granted to the Group.

As at 31st December, 2017, certain of the Group's property, plant and equipment, investment properties, properties held for sale, properties under development, available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investments, time deposits and bank balances in the total amount of HK$27,144.0 million were pledged to secure general banking facilities granted to the Group as well as bank guarantees procured by the Group pursuant to certain lease guarantees in connection with the leasing of the hotel properties from Regal REIT. In addition, as at 31st December, 2017, certain ordinary shares in a listed subsidiary with a market value of HK$536.8 million were also pledged to secure general banking facilities granted to the Group.

Capital Commitments

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

Contingent Liabilities

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

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK8.0 cents (2017 – HK8.0 cents) per ordinary share for the year ended 31st December, 2018. This proposed final dividend will absorb an amount of approximately HK$89.2 million (2017 – HK$89.2 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th June, 2019.

Together with the interim dividend of HK2.8 cents (2017 – HK2.5 cents) per ordinary share paid in October 2018, total dividends per ordinary share for the year ended 31st December, 2018 will amount to HK10.8 cents (2017 – HK10.5 cents).

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed during the following periods, and no transfers of shares will be effected during such periods:

(i) from Wednesday, 29th May, 2019 to Monday, 3rd June, 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 Annual General Meeting. In order to be entitled to attend and vote at the 2019 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited (the "Branch Registrar"), no later than 4:30 p.m. on Tuesday, 28th May, 2019; and

(ii) from Monday, 10th June, 2019 to Wednesday, 12th June, 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Thursday, 6th June, 2019.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 28th June, 2019.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2018 HK$'M	Year ended 31st December, 2017 HK$'M
REVENUE (Notes 2 & 3)	**5,894.3**	3,588.6
Cost of sales	**(3,892.2)**	(2,349.8)
Gross profit	**2,002.1**	1,238.8
Other income and gains, net (Note 3)	**120.0**	187.5
Fair value gains on investment properties, net	**191.7**	671.2
Fair value loss upon reclassification of properties held for sale to investment properties	**(0.7)**	–
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	**(214.8)**	59.2
Gain on disposal of subsidiaries (Note 13)	–	0.2
Write-back of impairment loss on property under development	–	57.0
Impairment loss on items of property, plant and equipment	–	(50.5)
Property selling and marketing expenses	**(77.0)**	(42.3)
Administrative expenses	**(418.3)**	(375.0)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	**1,603.0**	1,746.1
Depreciation and amortisation	**(592.6)**	(600.5)
OPERATING PROFIT (Notes 2 & 4)	**1,010.4**	1,145.6
Finance costs (Note 5)	**(436.0)**	(309.4)
Share of profits and losses of associates	**(2.3)**	(26.6)
PROFIT BEFORE TAX	**572.1**	809.6
Income tax (Note 6)	**(144.5)**	(91.5)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**427.6**	718.1

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2018 HK$'M	Year ended 31st December, 2017 HK$'M
Attributable to:		
Equity holders of the parent	**321.0**	528.5
Non-controlling interests	**106.6**	189.6
	427.6	718.1
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	**HK21.75 cents**	HK42.47 cents

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2018 HK$'M	Year ended 31st December, 2017 HK$'M
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**427.6**	718.1
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	–	31.6
Exchange differences on translating foreign operations	**(138.0)**	202.0
Reclassification adjustment on disposal of foreign operations	–	1.6
Share of other comprehensive income/(loss) of an associate	**(0.1)**	0.2
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(138.1)**	235.4
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of property	–	10.6
Income tax effect	–	(2.5)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	8.1
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(138.1)**	243.5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**289.5**	961.6
Attributable to:		
Equity holders of the parent	**221.9**	701.6
Non-controlling interests	**67.6**	260.0
	289.5	961.6

Consolidated Statement of Financial Position

	31st December, 2018	31st December, 2017
	HK$'M	HK$'M
NON-CURRENT ASSETS		
Property, plant and equipment	**22,969.3**	22,671.7
Investment properties	**3,782.3**	3,445.2
Properties under development	**2,227.7**	2,075.3
Investments in associates	**6.1**	22.6
Available-for-sale investments	–	385.8
Financial assets at fair value through profit or loss	**632.4**	1.9
Loans receivable	**133.1**	111.9
Deposits and prepayments (Note 9)	**401.0**	92.0
Deferred tax assets	**42.9**	51.7
Goodwill	**261.0**	261.0
Trademark	**610.2**	610.2
Total non-current assets	**31,066.0**	29,729.3
CURRENT ASSETS		
Properties under development	**1,747.4**	7,194.9
Properties held for sale	**6,128.7**	1,285.8
Aircraft held for sale	**5.9**	18.4
Inventories	**64.6**	65.5
Loans receivable (Note 10)	**177.0**	4.5
Finance lease receivables	–	37.1
Debtors, deposits and prepayments (Note 11)	**450.2**	683.8
Held-to-maturity investments	–	167.9
Financial assets at amortised cost	**481.3**	–
Financial assets at fair value through profit or loss	**2,027.2**	1,616.3
Derivative financial instruments	**28.4**	–
Tax recoverable	**12.2**	11.7
Restricted cash	**81.4**	145.6
Pledged time deposits and bank balances	**24.0**	550.4
Time deposits	**1,059.3**	1,896.5
Cash and bank balances	**1,554.0**	2,224.7
Total current assets	**13,841.6**	15,903.1

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2018	31st December, 2017
	HK$'M	HK$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 12)	**(1,177.1)**	(1,040.7)
Contract liabilities	**(336.8)**	–
Deposits received	**(28.9)**	(2,568.5)
Interest bearing bank borrowings	**(4,131.2)**	(4,251.6)
Other borrowings	**–**	(1,945.8)
Derivative financial instruments	**(1.0)**	(3.0)
Tax payable	**(176.3)**	(141.1)
Total current liabilities	**(5,851.3)**	(9,950.7)
NET CURRENT ASSETS	**7,990.3**	5,952.4
TOTAL ASSETS LESS CURRENT LIABILITIES	**39,056.3**	35,681.7
NON-CURRENT LIABILITIES		
Creditors and deposits received	**(75.3)**	(74.7)
Interest bearing bank borrowings	**(12,712.2)**	(9,142.0)
Other borrowings	**(2,725.9)**	(2,713.7)
Deferred tax liabilities	**(1,973.2)**	(2,048.5)
Total non-current liabilities	**(17,486.6)**	(13,978.9)
Net assets	**21,569.7**	21,702.8
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**111.4**	111.4
Reserves	**13,659.9**	13,649.6
	13,771.3	13,761.0
Perpetual securities	**1,732.9**	1,732.9
Non-controlling interests	**6,065.5**	6,208.9
Total equity	**21,569.7**	21,702.8

Notes:

1. Basis of Preparation and Accounting Policies

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

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

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

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

Impact of HKFRS 9 *Financial Instruments*

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

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1st January, 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1st January, 2018 is as follows:

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount	Re-classification	ECL	HKFRS 9 measurement Amount	HKFRS 9 measurement Category
			HK$'M	HK$'M	HK$'M	HK$'M	
Financial assets							
Available-for-sale investments		AFS[1]	385.8	(385.8)	-	-	N/A
To: Financial assets at fair value through profit or loss	(i)			(385.8)	-		
Held-to-maturity investments		HTM[2]	167.9	(167.9)	-	-	N/A
To: Financial assets at amortised cost	(ii)			(167.9)	-		
Financial assets at amortised cost		N/A	-	167.9	-	167.9	AC[3]
From: Held-to-maturity investments	(ii)			167.9	-		
Financial assets at fair value through profit or loss		FVPL[4]	1,618.2	385.8	-	2,004.0	FVPL[4]
From: Available-for-sale investments	(i)			385.8	-		
Loans receivable		L&R[5]	116.4	-	-	116.4	AC[3]
Finance lease receivables		L&R[5]	37.1	-	-	37.1	AC[3]
Trade debtors	(iii)	L&R[5]	147.4	-	-	147.4	AC[3]
Other financial assets included in debtors, deposits and prepayments		L&R[5]	244.3	-	-	244.3	AC[3]
Restricted cash		L&R[5]	145.6	-	-	145.6	AC[3]
Pledged time deposits and bank balances		L&R[5]	550.4	-	-	550.4	AC[3]
Time deposits		L&R[5]	1,896.5	-	-	1,896.5	AC[3]
Cash and bank balances		L&R[5]	2,224.7	-	-	2,224.7	AC[3]
			7,534.3	-	-	7,534.3	

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount	Re-classification	ECL	HKFRS 9 measurement Amount	HKFRS 9 measurement Category
			HK$'M	HK$'M	HK$'M	HK$'M	
Other assets							
Other assets included in debtors, deposits and prepayments	(iii)		384.1*	-	-	384.1	
Financial liabilities							
Trade creditors		AC[3]	87.0	-	-	87.0	AC[3]
Other financial liabilities included in creditors and accruals		AC[3]	859.0	-	-	859.0	AC[3]
Interest-bearing bank borrowings		AC[3]	13,393.6	-	-	13,393.6	AC[3]
Other borrowings		AC[3]	4,659.5	-	-	4,659.5	AC[3]
Deposits received		AC[3]	69.9	-	-	69.9	AC[3]
Derivative financial instruments		FVPL[4]	3.0	-	-	3.0	FVPL[4]
			19,072.0	-	-	19,072.0	

*Inclusive of an amount of HK$35.4 million which is classified as contract assets.

[1] AFS: Available-for-sale investments
[2] HTM: Held-to-maturity investments
[3] AC: Financial assets or financial liabilities at amortised cost
[4] FVPL: Financial assets or financial liabilities at fair value through profit or loss
[5] L&R: Loans and receivables

Notes:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets at fair value through profit or loss as these investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(ii) The Group has classified its investments previously classified as held-to-maturity investments as financial assets at amortised cost as the Group intends to hold these assets to maturity to collect the contractual cash flows and these cash flows consist solely of payment of principal and interest on the principal amount outstanding.

(iii) The gross carrying amounts of the trade debtors and contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

Impairment

Upon adoption of the impairment requirements of HKFRS 9, there are no significant differences between the Group's aggregate opening balance of impairment allowances under HKAS 39 and the ECL allowances under HKFRS 9.

Impact on reserve and retained profits

The impact of transition to HKFRS 9 on reserve and retained profits is as follows:

	Reserve and retained profits HK$'M
Available-for-sale investment revaluation reserve under HKAS 39	
Balance as at 31st December, 2017 under HKAS 39	71.5
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	(71.5)
Balance as at 1st January, 2018 under HKFRS 9	-
Retained profits	
Balance as at 31st December, 2017 under HKAS 39	9,487.7
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	71.5
Balance as at 1st January, 2018 under HKFRS 9	9,559.2

Impact of HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue.

The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

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

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

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

	Notes	Increase/ (Decrease) HK$'M
Assets		
Properties under development (current)	(i)	136.9
Liabilities		
Creditors and accruals	(ii), (iii)	(61.0)
Deposits received	(i)	(2,522.9)
Contract liabilities	(i), (ii), (iii)	2,720.8
Total liabilities		136.9

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

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

(i) Significant financing component for sales of properties

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

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

(ii) Loyalty points programmes

The Group's hotel operation segment operates loyalty points programmes which allow customers to accumulate points when they patronise the Group's hotels. The points can be redeemed for future spending in the hotels or other gifts. The Group concluded that under HKFRS 15, the loyalty points programmes give rise to a separate performance obligation because they provide a material right to the customers. The Group determined that the impacts upon the adoption of HKFRS 15 were not significant and thus, no adjustment was made to the opening balance of retained profits at 1st January, 2018. In addition, deferred liabilities on the loyalty points programmes were reclassified from creditors and accruals to contract liabilities as at 1st January, 2018.

(iii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as creditors and accruals. Under HKFRS 15, the amount is classified as contract liabilities.

2. Operating Segment Information

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

(a) the property development and investment segment comprises the development and sale of properties, the leasing of properties and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

(c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income;

(d) the asset management segment engages in the provision of asset management services to Regal REIT;

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

(f) the aircraft ownership and leasing segment engages in the aircraft ownership and leasing for rental and interest income; and

(g) the others segment mainly comprises the provision of financing services, travel agency services, sale of food products, operation and management of restaurants, operation of security storage lounge, the provision of housekeeping services, logistics and related services and development and distribution of multimedia entertainment and digital educational content and multi-platform social games.

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

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

Segment liabilities exclude interest bearing bank borrowings, other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate 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.

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

	Property development and investment		**Construction and building related businesses**		**Hotel operation and management and hotel ownership**		**Asset management**		**Financial assets investments**		**Aircraft ownership and leasing**		**Others**		**Eliminations**		**Consolidated**	
	2018 HK$’M	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**	**2018 HK$’M**	**2017 HK$’M**
Segment revenue (Note 3):																		
Sales to external customers	3,295.9	1,109.9	9.3	18.8	2,377.9	2,286.6	-	-	74.6	104.2	119.1	39.7	17.5	29.4	-	-	5,894.3	3,588.6
Intersegment sales	7.1	7.1	268.0	175.7	7.1	8.2	114.1	119.9	-	-	-	-	103.2	76.2	(499.5)	(387.1)	-	-
Total	3,303.0	1,117.0	277.3	194.5	2,385.0	2,294.8	114.1	119.9	74.6	104.2	119.1	39.7	120.7	105.6	(499.5)	(387.1)	5,894.3	3,588.6
Segment results before depreciation and amortisation	830.3	797.8	(0.1)	(0.1)	976.4	852.1	(13.1)	(13.3)	(131.7)	177.5	61.9	31.8	0.7	3.6	-	-	1,724.4	1,849.4
Depreciation and amortisation	(20.4)	(24.2)	(0.2)	(0.4)	(548.4)	(539.1)	(0.4)	(0.4)	-	-	(18.2)	(22.4)	(3.8)	(12.5)	-	-	(591.4)	(599.0)
Segment results	809.9	773.6	(0.3)	(0.5)	428.0	313.0	(13.5)	(13.7)	(131.7)	177.5	43.7	9.4	(3.1)	(8.9)	-	-	1,133.0	1,250.4
Unallocated interest income and unallocated non-operating and corporate gains																	62.1	56.6
Unallocated non-operating and corporate expenses																	(184.7)	(161.4)
Operating profit																	1,010.4	1,145.6
Finance costs																	(436.0)	(309.4)
Share of profits and losses of associates	(2.4)	(8.3)	-	-	-	-	-	-	-	-	-	-	0.1	(18.3)	-	-	(2.3)	(26.6)
Profit before tax																	572.1	809.6
Income tax																	(144.5)	(91.5)
Profit for the year before allocation between equity holders of the parent and non-controlling interests																	427.6	718.1
Attributable to:																		
Equity holders of the parent																	321.0	528.5
Non-controlling interests																	106.6	189.6
																	427.6	718.1

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Asset management		Financial assets investments		Aircraft ownership and leasing		Others		Eliminations		Consolidated	
	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M	2018 HK$'M	2017 HK$'M
Segment assets	16,077.0	15,966.5	39.5	46.4	21,804.4	22,090.4	51.0	52.1	3,228.9	2,207.6	414.6	277.3	172.2	133.1	(51.3)	(50.7)	41,736.3	40,722.7
Investments in associates	0.1	17.0	-	-	-	-	-	-	-	-	-	-	6.0	5.6	-	-	6.1	22.6
Cash and unallocated assets																	3,165.2	4,887.1
Total assets																	44,907.6	45,632.4
Segment liabilities	(1,021.3)	(3,097.9)	(50.4)	(49.9)	(430.4)	(416.5)	(2.1)	(2.3)	(3.5)	(3.6)	(67.7)	(86.1)	(13.7)	(5.0)	51.3	50.7	(1,537.8)	(3,610.6)
Interest bearing bank borrowings and unallocated liabilities																	(21,800.1)	(20,319.0)
Total liabilities																	(23,337.9)	(23,929.6)
Other segment information:																		
Capital expenditure	2,282.6	1,925.2	84.1	-	173.6	3,692.2	-	0.3	-	-	282.1	145.4	19.8	3.2				
Gain on disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.2)				
Gain on disposal of investment properties	-	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-				
Loss/(Gain) on disposal of items of property, plant and equipment, net	-	(14.4)	-	-	-	0.8	-	-	-	-	1.2	(5.2)	-	-				
Reversal of impairment of loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)				
Write-back of impairment loss on property under development	-	(57.0)	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on items of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	50.5	-	-				
Impairment of trade debtors	-	-	-	-	2.6	0.1	-	-	-	-	-	-	0.3	-				
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	-	-	214.8	(61.3)	-	-	-	2.1				
Fair value gains on investment properties, net	(186.1)	(669.2)	-	-	(5.6)	(2.0)	-	-	-	-	-	-	-	-				
Fair value loss upon reclassification of properties held for sale to investment properties	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-				
Interest income	(0.8)	(37.4)	-	-	-	-	-	-	(110.0)	(54.6)	(1.9)	(4.8)	(4.0)	(3.3)				
Maintenance reserves released	-	-	-	-	-	-	-	-	-	-	(34.4)	(54.7)	-	-				

Geographical information

(a) Revenue from external customers

	2018 HK$'M	2017 HK$'M
Hong Kong	**3,611.1**	2,652.5
Mainland China	**2,152.6**	850.0
Other	**130.6**	86.1
	5,894.3	3,588.6

The revenue information above is based on the locations of the customers, except for the property development and investment segment which is based on the locations of the properties.

(b) Non-current assets

	2018 HK$'M	2017 HK$'M
Hong Kong	**28,077.4**	27,168.7
Mainland China	**1,583.5**	1,664.6
Other	**589.4**	333.7
	30,250.3	29,167.0

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

Information about major customer

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

3. Revenue, other income and gains, net are analysed as follows:

	2018	2017
	HK$'M	HK$'M
Revenue		
Revenue from contracts with customers		
Proceeds from sale of properties	**3,237.3**	1,098.9
Proceeds from disposal of aircraft held for sale	**80.4**	–
Hotel operations and management services	**2,312.8**	2,236.1
Construction and construction-related income	**3.6**	13.3
Estate management fees	**5.7**	5.5
Other operations	**13.3**	17.2
Revenue from other sources		
Rental income:		
Hotel properties	**48.2**	41.8
Investment properties	**72.0**	17.1
Properties under development	**0.6**	–
Properties held for sale	**2.9**	2.6
Aircraft	**36.8**	34.9
Net gain/(loss) from sale of financial assets at fair value through profit or loss*	**(34.8)**	38.0
Net gain/(loss) on settlement of derivative financial instruments	**(6.4)**	12.0
Interest income from financial assets at fair value through profit or loss	**99.9**	41.8
Interest income from finance leases	**1.9**	4.8
Dividend income from listed investments	**15.9**	12.4
Logistics and related services income	**–**	9.1
Other operations	**4.2**	3.1
	5,894.3	3,588.6

*Inclusive of dividend income from fund investments of HK$155.9 million and net loss on disposal of fund investments of HK$158.4 million for the year ended 31st December,

2017. These fund investments were purchased and sold during 2017 and were considered as linked transactions. The Directors were of the opinion that offsetting of the amounts better reflects the substance of these linked transactions.

	2018	2017
	HK$'M	HK$'M
Other income and gains, net		
Bank interest income	**44.6**	53.7
Other interest income	**29.7**	53.9
Dividend income from unlisted investments	**5.9**	3.8
Gain on disposal of an investment property	**–**	0.1
Gain/(loss) on disposal of items of property, plant and equipment, net	**(1.2)**	18.8
Maintenance reserves released	**34.4**	54.7
Others	**6.6**	2.5
	120.0	187.5

4. An analysis of profit on sale of properties of the Group is as follows:

	2018	2017
	HK$'M	HK$'M
Profit on disposal of properties	**766.6**	114.5

5. Finance costs of the Group are as follows:

	2018	2017
	HK$'M	HK$'M
Interest on bank loans	**413.1**	201.4
Interest on other borrowings	**134.3**	268.7
Interest on convertible bonds	–	2.5
Interest expenses arising from revenue contracts	**22.6**	–
Other interest	–	0.8
Amortisation of debt establishment costs	**44.1**	41.3
Total interest expenses on financial liabilities not at fair value through profit or loss	**614.1**	514.7
Other loan costs	**10.5**	13.2
	624.6	527.9
Less: Finance costs capitalised	**(188.6)**	(218.5)
	436.0	309.4

6. The income tax charge for the year arose as follows:

	2018	2017
	HK$'M	HK$'M
Current – Hong Kong		
Charge for the year	**90.8**	85.2
Overprovision in prior years	**(0.1)**	(4.3)
Current – Overseas		
Charge for the year	**52.3**	65.5
PRC land appreciation tax	**67.1**	4.5
Deferred	**(65.6)**	(59.4)
Total tax charge for the year	**144.5**	91.5

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2017 – 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

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

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

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

7. Dividends:

	2018	**2017**
	HK$'M	**HK$'M**
Interim – HK2.8 cents (2017 – HK2.5 cents) per ordinary share	**31.2**	27.9
Proposed final – HK8.0 cents (2017 – HK8.0 cents) per ordinary share	**89.2**	89.2
	120.4	117.1

8. The calculation of the basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$321.0 million (2017 – HK$528.5 million), adjusted for the share of distribution related to perpetual securities of the Regal group of HK$78.6 million (2017 – HK$55.1 million), and on the weighted average of 1,114.6 million (2017 – 1,114.6 million) ordinary shares of the Company in issue during the year.

   No adjustment was made to the basic earnings per ordinary share for the years ended 31st December, 2018 and 2017 as the Company had no potentially dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in deposits and prepayments under non-current assets are the deposits in an aggregate amount of RMB170 million (HK$193.6 million) paid in relation to a possible investment by the Cosmopolitan group in a sizeable logistics services provider that is principally operating logistics and express delivery services and the development and operation of logistics parks in the PRC, further details of which are disclosed in note 10(a) below.

10. Loans receivable are analysed as follows:

	2018 HK$'M	2017 HK$'M
Short term secured loans (Note (a))	**170.8**	–
Other secured loans	**6.2**	4.5
	177.0	4.5

Note:

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

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

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

11. Included in debtors, deposits and prepayments is an amount of HK$145.3 million (2017 – HK$147.4 million) representing the trade debtors of the Group. The ageing analysis of these debtors as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'M	HK$'M
Outstanding balances with ages:		
Within 3 months	**123.9**	122.7
4 to 6 months	**3.7**	3.5
7 to 12 months	**5.5**	7.2
Over 1 year	**16.9**	15.8
	150.0	149.2
Impairment	**(4.7)**	(1.8)
	145.3	147.4

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment. Bad debts are written off as incurred.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade debtors 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 these balances.

Also included in debtors, deposits and prepayments is an amount of HK$0.8 million (2017 – HK$35.4 million) in relation to the prepaid commission for sales of properties which is classified as contract assets in accordance with HKFRS 15.

12. Included in creditors and accruals is an amount of HK$78.5 million (2017 – HK$87.0 million) representing the trade creditors of the Group. The ageing analysis of these creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2018	**2017**
	HK$'M	**HK$'M**
Outstanding balances with ages:		
Within 3 months	**78.2**	86.8
4 to 6 months	**0.2**	0.1
7 to 12 months	**0.1**	0.1
	78.5	87.0

The trade creditors are non-interest bearing and are normally settled within 90 days.

13. Disposal of subsidiaries

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

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

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

REVIEW OF RESULTS

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

CORPORATE GOVERNANCE

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

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

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

BOARD OF DIRECTORS

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

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

Independent Non-Executive Directors:
Mr. Bowen Joseph LEUNG Po Wing, GBS, JP
Ms. Winnie NG, JP
Hon Abraham SHEK Lai Him, GBS, JP
Mr. WONG Chi Keung

By Order of the Board
LO YUK SUI
Chairman

Hong Kong, 26th March, 2019