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ANNOUNCEMENT OF 2017 GROUP FINAL RESULTS

FINANCIAL AND BUSINESS HIGHLIGHTS

	Year 2017	Year 2016	% Change
	HK\$'M	HK\$'M	
Revenue	3,588.6	2,771.8	+29.5%
Gross profit	1,238.8	1,134.0	+9.2%
Operating profit before depreciation and amortisation, finance costs and tax	1,746.1	1,174.8	+48.6%
Profit for the year attributable to equity holders of the parent	528.5	217.0	+143.5%
Basic earnings per ordinary share attributable to equity holders of the parent	HK47.41 cents	HK19.47 cents	+143.5%
Proposed final dividend per ordinary share	HK8.0 cents	HK6.7 cents	+19.4%
Total dividends for the year per ordinary share	HK10.5 cents	HK9.0 cents	+16.7%
	As at 31st December,		
	2017	2016	
	(Unaudited)	(Unaudited)	
Net asset value per ordinary share attributable to equity holders of the parent			
Book	HK\$12.35	HK\$11.77	+4.9%
*Adjusted	HK\$15.67	HK\$13.84	+13.2%

* 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, 2016 and 2017, respectively, with the relevant deferred tax liabilities added back

- **Achieved a consolidated profit attributable to shareholders of HK\$528.5 million, an increase of about 1.4 times over the profit of HK\$217.0 million attained in 2016, which was mainly attributable to the fair value gains on the investment properties and financial assets held by the Group.**
- **Operating profit before depreciation and amortization, finance costs and tax for the year amounted to HK\$1,746.1 million, as compared to HK\$1,174.8 million in 2016.**
- **Depreciation charges in the amount of HK\$525.6 million have been provided on the Group's hotel properties for the year which, although having no impact on the Group's cash flow, have nevertheless affected the reported results under review.**
- **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 business.**
- **In September 2017, the iclub Ma Tau Wai Hotel in Kowloon, developed by P&R Holdings, was sold to Regal Real Estate Investment Trust for a cash consideration of HK\$1,360 million.**
- **The "We Go Mall" at Ma On Shan, Sha Tin, another development by P&R Holdings, is intended to be retained as an investment property and planned to be opened in May this year.**
- **Three other ongoing development projects of P&R Holdings are scheduled to be completed within 2018, respectively, a joint venture commercial/residential project in Sham Shui Po, the iclub Mong Kok Hotel in Tai Kok Tsui and, more importantly, the large scale luxury residential development at Kau To, Sha Tin.**
- **Pending completion and/or sale of the property projects under development, Regal (a listed subsidiary of the Company) has also been undertaking through its wholly owned subsidiaries property developments in Hong Kong, including the development properties at Queen's Road West, Hong Kong and the new airport hotel development project at the Hong Kong International Airport through the tender award from the Airport Authority, both acquired in 2017.**
- **Cosmopolitan International Holdings Limited, a listed subsidiary of the Group held through P&R Holdings, is undertaking two composite developments in Tianjin and Chengdu in China, which are also progressing steadily.**

- **Most of the residential units in the first and second stages of Chengdu project have been sold and handed over to the purchasers before the year end and the profits therefrom accounted for in the results for the year under review.**
- **The construction works of the four residential towers, the commercial complex and the associated car parking spaces in the Tianjin project have recently been completed. Of the total 512 units comprised in the four residential towers, 479 units have been presold to date, securing contracted sales of RMB1,498 million (HK\$1,863 million).**
- **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.**
- **Though it has proven to be challenging, the Group will continue to work strenuously to replenish its land bank in Hong Kong. At the same time, the Group is carefully reviewing proposals for properties and projects overseas, where comparatively more investment opportunities may be available.**
- **The profits to be derived from the sales of the residential units in Cosmopolitan's Tianjin project will be accounted for in the first half of this year after the process for the handover of the units to the individual purchasers is completed.**
- **As most of the residential units in the joint venture project in Sham Shui Po have already been presold, and with the issue of its occupation permit earlier in March this year, the profits to be derived from these unit sales will be accounted for in the current financial year.**
- **The luxury residential project at Kau To, which is a large scale development comprising 24 garden houses and 136 apartment units in 7 mid-rise apartment blocks, is scheduled to be completed later this year. The sale programme is planned to be commenced soon after the development is completed and will be launched in phases on a gradual basis. Having regard to the prevailing prices of properties in the neighborhood area, the Group is confident that very substantial profits and cash flow will be contributed by the unit sales of this development.**
- **Overall, the Directors are optimistic of the future prospects of the Group.**

FINANCIAL RESULTS

For the year ended 31st December, 2017, the Group achieved a consolidated profit attributable to shareholders of HK\$528.5 million, which represents an increase of about 1.4 times over the profit of HK\$217.0 million attained in 2016. The substantial increase in the profit achieved was mainly attributable to the fair value gains on the investment properties and financial assets held by the Group.

Operating profit before depreciation and amortization, finance costs and tax for the year amounted to HK\$1,746.1 million, as compared to HK\$1,174.8 million in 2016. 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\$525.6 million have been provided on these hotel properties for the year which, although having no impact on the Group's cash flow, have nevertheless affected the reported results under review.

Supplementary information showing the adjusted net asset value of the Company of HK\$15.67 per share as at 31st December, 2017, after adjusting for the market value of the hotel properties in Hong Kong owned through Regal group 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, other investments and aircraft ownership and leasing businesses.

As at 31st December, 2017, 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, 2017 an effective controlling shareholding interest of approximately 75.4% 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 in the People's Republic of China and other investment businesses.

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 as a whole remained buoyant in 2017. During the year, a total of 17 development sites were sold under government tenders. The aggregate land sale premium realised was in excess of HK\$120 billion, which was a significant increase of over 50% above that recorded in 2016, and the unit land prices under these tender awards have repeatedly created new records. The residential market was robust, with price and transaction volume reported to have increased by 13% and 24%, respectively, from the 2016 levels. The primary residential market continued to be strong, with property developers offering attractive purchasing terms and financing schemes. In spite of the hefty stamp duties, the secondary market also remained active, as driven by the favourable market sentiment and the pent-up underlying demand. The market for the luxury residential properties was particularly red hot, with the unit prices for strata apartment units continually recording all-time highs. On the

other hand, with the support of a rising local consumption power and the gradual recovery in the tourist market, the retail property sector regained momentum after a few years of low period.

Since its establishment in 2011, P&R Holdings has served as the main operating arm for the Group's property development and investment business. In September 2017, the iclub Ma Tau Wai Hotel in Kowloon, developed by P&R Holdings, was sold to Regal REIT for a cash consideration of HK\$1,360 million. In the meantime, the occupation permit for its shopping mall development at Ma On Shan, Sha Tin was issued in September 2017. This regional shopping mall has been named as the "We Go Mall" and is intended to be retained by P&R Holdings as an investment property for rental income. Leasing works are progressing satisfactorily and the mall is planned to be opened in May this year.

Three other ongoing development projects of P&R Holdings are scheduled to be completed within 2018. They are, respectively, the joint venture commercial/residential project with the Urban Renewal Authority of Hong Kong in Sham Shui Po, most of the residential units of which have been presold; the iclub Mong Kok Hotel project also with the Urban Renewal Authority in Tai Kok Tsui; and, more importantly, the large scale luxury residential development at Kau To, Sha Tin.

Considering the increasing challenge in acquiring suitable development sites in Hong Kong to replenish land bank, despite the Hong Kong Government's efforts to increase land supply, the Group will have no haste in the disposal of their properties, particularly having regard to the optimistic outlook of the Hong Kong property market. At the same time, the Group is also actively reviewing appropriate acquisition opportunities in real estate and hotel projects overseas that can serve to broaden and diversify its overall asset portfolio.

Pending completion and/or sale of the property projects under development, Regal has also been undertaking through its wholly owned subsidiaries property developments in Hong Kong since 2017.

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

Additional information on the Group's development property 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, 2017, Regal achieved a consolidated profit attributable to shareholders of HK\$982.1 million, an increase of about 3.6 times over the profit of HK\$213.7 million recorded in 2016.

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, 2017, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK\$2,488.3 million, as compared to the profit of HK\$564.0 million for the financial year 2016.

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, 2017, Cosmopolitan attained profit attributable to shareholders in the amount of HK\$13.7 million, as compared to a loss of HK\$115.3 million recorded for the preceding financial year.

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

Despite the ongoing normalisation of interest rates and the tapering of market liquidity by some central banks, the process is expected to be very gradual and the negative real interest rate environment in Hong Kong should persist in the near term. Coupling with the rising confidence in economic growth, the effects of increasing private wealth and the continuing inflow of investment capital from Mainland China, the outlook of the property market in Hong Kong in 2018 is expected to remain buoyant.

Though it has proven to be challenging, the Group will continue to work strenuously to replenish its land bank in Hong Kong. While it will continue to participate in bidding for sites that are suitable for the Group under government tenders, the Group will also actively seek opportunities for the acquisition of development sites and properties through other alternative avenues. At the same time, the Group is carefully reviewing proposals for properties and projects overseas, where comparatively more investment opportunities may be available.

As mentioned above, three of the development projects of P&R Holdings are scheduled to be completed in 2018. As most of the residential units in the joint venture project in Sham Shui Po have already been presold, and with the issue of its occupation permit earlier in March this year, the profits to be derived from these unit sales will be accounted for in the current financial year.

Worthy of particular mention is the luxury residential project at Kau To, which is a large scale development comprising 24 garden houses and 136 apartment units in 7 mid-rise apartment blocks, also scheduled to be completed later this year. The sale programme is planned to be commenced soon after the development is completed later this year and will be launched in phases on a gradual basis. Having regard to the prevailing prices of properties in

the neighborhood area, the Group is confident that very substantial profits and cash flow will be contributed by the unit sales of this development.

Overall, the Directors are optimistic of the future prospects of the Group.

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 business 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, mainly focused in the PRC, investment in financial assets, logistics operation (disposed of in June 2017) and other investments.

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 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 2017 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 presently 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, 14 houses have been contracted to be sold. While the remaining houses are presently planned to be disposed of on a gradual basis, some of them may in the meantime be retained for rental income.

iclub Ma Tau Wai Hotel, No.8 Ha Heung Road, To Kwa Wan, Kowloon

The project has an aggregate site area of approximately 700 square metres (7,535 square feet) and has been developed into a 22-storey hotel (including 1 basement floor) with 340 guestrooms, having total gross floor area of approximately 6,298 square metres (67,790 square feet) and covered floor area of approximately 9,490 square metres (102,160 square feet). The occupation permit of the hotel was issued in November 2016. The hotel commenced business operations in May 2017.

P&R Holdings re-consolidated a 100% ownership interest in the project in May 2017. The entire equity interests in the group of companies that own this iclub Ma Tau Wai Hotel was sold to Regal REIT at a consideration of HK\$1,360 million in September 2017.

Shopping mall named as “We Go Mall” at Sha Tin Town Lot No.482 at 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 is being 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. This completed property has been named as the “We Go Mall” and is intended to be retained for rental income. Leasing works are progressing satisfactorily and the mall is planned to be opened in May 2018.

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 is being 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 carpark. The occupation permit for the project was recently issued in March 2018. The presale of the residential units in this development was launched in July 2016 and, up to date, 155 of the total 157 residential units have been contracted to be sold. The sale programme for the commercial units is planned to be launched shortly.

Sha Tin Town Lot No.578, Area 56A, Kau To, Sha Tin, New Territories

The project has a site area of 17,476 square metres (188,100 square feet) and is being 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 superstructure works are in progress and scheduled to be completed later this year. The sale programme is planned to be commenced soon after the development is completed and will be launched in phases on a gradual basis.

iclub Mong Kok Hotel at Anchor Street/Fuk Tsun 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, which has a site area of 725.5 square metres (7,809 square feet). The project has 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) and is being developed into a 20-storey hotel building comprising about 288 guestrooms, with ancillary accommodation. The superstructure works are nearing completion and the project is scheduled to be completed in the third quarter of 2018.

Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan intended to be named as “iclub Soho Hotel”

The project has an aggregate site area of approximately 345 square metres (3,710 square feet) and is planned for the development of a hotel with 98 guestrooms and suites, 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). After extensive periods of delay to resolve the technical difficulties encountered on the sub-structure works, the superstructure works are progressing steadily and the project is presently anticipated to be completed in 2019.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

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

A wholly owned subsidiary of Regal was awarded by the Airport Authority in Hong Kong in February 2017 the development right for a new hotel project at the Hong Kong International Airport, at a consideration payable in the form of non-refundable rental payment of approximately HK\$2,188.9 million.

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 also the first phase of the mega SKYCITY Project by the Airport Authority, which 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 1,203 guestrooms and suites as well as extensive banquet, meeting and food and beverage facilities. The hotel is intended to be named as the Regala Skycity Hotel, which will

be operated as a full service hotel targeting at commercial, airline related, leisure and meeting businesses. The foundation works have been commenced and the new hotel is presently scheduled to be completed in 2020.

Nos. 150-158 and 160-162 Queen's Road West, Hong Kong

The properties located at Nos. 150-158 Queen's Road West, Hong Kong were acquired through private treaty in March 2017, which have an aggregate site area of about 480 square metres (5,178 square feet) and are planned for a commercial/residential development. The Regal group has since further acquired units with more than 85% of the total undivided shares in the adjoining properties at 160-162 Queen's Road West, which have an aggregate site area of about 187 square metres (2,012 square feet). The two properties are intended to be consolidated for development and the combined site will have a total aggregate site area of about 667 square metres (7,190 square feet).

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

During the year, the Regal group completed the sale of one garden house in Regalia Bay, Stanley which was held for sale. A total of 14 garden houses in Regalia Bay with a 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 fixed assets. The Regal group will continue to dispose of some of these houses if the price offered is considered satisfactory.

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, and its 60% owned logistics business in the PRC (disposed of in June 2017) 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 497,000 square metres (5,350,000 square feet).

The nine residential towers comprising 1,296 residential units in the first and second stages of the Chengdu project have been completed, of which 1,258 units have been sold for aggregate sale proceeds of RMB828 million (HK\$1,030 million). Most of the units sold have been handed over to the purchasers before the year end and the profits therefrom accounted for in the results for the year under review.

To cope with the changing market conditions, the business profile of the 317-room hotel has been revised and the corresponding interior design and guestroom mock-up works are in progress. The hotel is scheduled to open in phases from early 2019. The planning approval of the remaining ten residential towers in the third stage of the development has been obtained and the construction works are scheduled to commence shortly. The presale programme of these residential units is planned to be launched before the end of 2018. The planning approval of the other components within the development, comprising primarily commercial and office space, has also been obtained and the associated construction works are expected to commence in early 2019.

Tianjin Project – Regal Renaissance

Located in the Hedong District in Tianjin, this project entails a development site with total site area of about 31,700 square metres (341,000 square feet), which is planned for 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 recently been completed. Of the total 512 units comprised in the four residential towers, 479 units have been presold to date, securing contracted sales of RMB1,498 million (HK\$1,863 million). The presold residential units are being handed over to the individual purchasers. The presale of the commercial complex, comprising mainly shops of about 19,000 square metres (205,000 square feet), and 530 residential car parking spaces is continuing, with contracted sales to date of RMB139 million (HK\$173 million). The superstructure works of the two office towers have been suspended due to the tightened government planning controls. The Cosmopolitan group is devising contingent plans and conducting negotiations with the local government with an aim to minimize any adverse

impacts on the design and to have the construction works resumed as soon as possible.

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 will be available for real estate development after the requisite inspection, land grant listing and tender procedures are completed.

The Cosmopolitan group has completed the site survey on the parcels of land within the project site which have been illegally occupied by trespassers and has commenced communications with the relevant government authority to initiate appropriate measures to settle the land disputes. 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. The Cosmopolitan group has carried out the required remedial re-forestation works, such that the inspection and measurement of the reforested area by the relevant government authorities can be resumed and the final procedures leading to the land grant listing and tender of the development land may be concluded.

Logistics Business

Shanghai Logistics Project

As mentioned in the 2016 Annual Report, the Cosmopolitan group entered into a framework agreement in January 2016 to acquire 60% effective interests in a group of companies (the “Logistics Group”) operating logistics and related business in the PRC and the remaining 40% interests in the Logistics Group was held by an affiliate of the seller (the “JV Partner”). The acquisition was completed in May 2016 and as consideration therefor, the Cosmopolitan group issued convertible bonds in the aggregate principal amount of HK\$57.05 million.

Having operated the logistics business for a period of about one year and after undertaking a review of all relevant circumstances including, in particular, the performance and

development progress of the Logistics Group and the difference in the management style of the joint venture parties, the Cosmopolitan group has agreed, after amicable negotiations with the JV Partner, to accept his proposal to buy back the Cosmopolitan group's interest in the Logistics Group.

Accordingly, on 30th June, 2017, the Cosmopolitan group entered into a deed of arrangement with the JV Partner for the disposal of its entire interests in the Logistics Group for an aggregate consideration of HK\$71.0 million, details of which were disclosed in the circular of the Cosmopolitan dated 18th August, 2017. The Cosmopolitan group received HK\$45.6 million in cash upon completion of the disposal on 30th June, 2017. The balance of the consideration in the sum of HK\$25.4 million has also been received by the Cosmopolitan group in the second half of 2017. The Cosmopolitan group ceased to have any interest in the Logistics Group after completion of the related transactions. The aforesaid convertible bonds have been converted into ordinary shares of the Cosmopolitan before the year end in 2017.

HANG FOK PROPERTIES LIMITED

Hang Fok is an entity that is 50% beneficially owned by each of the Group and the Regal group and is effectively a subsidiary of the Group. Hang Fok holds equity interests in a joint venture project company involved in a development project in the Central Business District in Beijing, the PRC. As previously reported, Hang Fok was engaged in a series of legal actions in the PRC with the other joint venture parties in the Beijing project, some of which were initiated by Hang Fok to protect its equity interests in the Beijing project. As also reported before, in the process of the legal actions taken, Hang Fok has recovered in February 2016 about RMB195 million (equivalent to approximately HK\$228.4 million) from the joint venture project company, as repayment of certain of the shareholder's loans owing to Hang Fok, plus accrued contractual interest thereon. As at 31st December, 2016, the interest held by the Group in the project was carried in the consolidated financial statements at an insignificant amount. In March 2017, Hang Fok further recovered an additional amount of about RMB34 million (equivalent to approximately HK\$37.8 million) from the joint venture project company, which principally represents late payment interest as required by the relevant court rules in the PRC. The Group will continue to exercise strenuous efforts with a view to salvaging the value of the Group's interest in this investment.

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 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.

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. Benefiting from the relatively buoyant conditions in the capital market, the Group recorded satisfactory fair value gains on its financial assets during the year.

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 its market value as at 31st December, 2017, the unaudited adjusted net asset value of the ordinary shares of the Company would be HK\$15.67 per share, as follows:

	As at 31st December, 2017	
	HK\$'M	HK\$ per ordinary share
Book net assets attributable to equity holders of the parent	13,761.0	12.35
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	3,703.6	3.32
Unaudited adjusted net assets attributable to equity holders of the parent	17,464.6	15.67

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 and Hong Kong 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 generated from operating activities during the year under review amounted to HK\$40.8 million (2016 – HK\$1,233.2 million). Net interest payment for the year amounted to HK\$317.9 million (2016 – HK\$212.4 million).

Borrowings and Gearing

As at 31st December, 2017, the Group had cash and bank balances and deposits of HK\$4,817.2 million (2016 – HK\$5,192.5 million) and the Group's borrowings, net of cash and bank balances and deposits, amounted to HK\$13,235.9 million (2016 – HK\$11,271.6 million).

As at 31st December, 2017, the gearing ratio of the Group was 29.0% (2016 – 27.2%), representing the Group's borrowings net of cash and bank balances and deposits of HK\$13,235.9 million (2016 – HK\$11,271.6 million), as compared to the total assets of the Group of HK\$45,632.4 million (2016 – HK\$41,515.0 million).

On the basis of the adjusted total assets as at 31st December, 2017 of HK\$52,602.2 million (2016 – HK\$45,817.0 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 25.2% (2016 – 24.6%).

Details of the maturity profile of the borrowings of the Group as of 31st December, 2017 are shown in the consolidated financial statements (“Financial Statements”) contained in the annual report of the Company for the year ended 31st December, 2017 (the “2017 Annual Report”) to be published on or before 30th April, 2018.

Pledge of Assets

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 (2016 – HK\$20,405.4 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 (2016 – HK\$370.7 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, 2017 are shown in the Financial Statements.

Contingent Liabilities

Details of the contingent liabilities of the Group as at 31st December, 2017 are shown in the Financial Statements.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK8.0 cents (2016 – HK6.7 cents) per ordinary share for the year ended 31st December, 2017. This proposed final dividend will absorb an amount of approximately HK\$89.2 million (2016 – HK\$74.7 million) and will be payable to holders of ordinary shares on the Register of Ordinary Shareholders on 12th June, 2018.

Together with the interim dividend of HK2.5 cents (2016 – HK2.3 cents) per ordinary share paid in October 2017, total dividends per ordinary share for the year ended 31st December, 2017 will amount to HK10.5 cents (2016 – HK9.0 cents).

ANNUAL GENERAL MEETING

An Annual General Meeting of the Company will be convened to be held on Monday, 4th June, 2018. 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 2017 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, 30th May, 2018 to Monday, 4th June, 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 Annual General Meeting. In order to be entitled to attend and vote at the 2018 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, 29th May, 2018; and

- (ii) from Friday, 8th June, 2018 to Tuesday, 12th June, 2018, 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, 7th June, 2018.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 27th June, 2018.

YEAR END RESULTS

Consolidated Statement of Profit or Loss

	Year ended 31st December, 2017	Year ended 31st December, 2016
	HK\$'M	HK\$'M
REVENUE (Notes 2 & 3)	3,588.6	2,771.8
Cost of sales	(2,349.8)	(1,637.8)
Gross profit	1,238.8	1,134.0
Other income and gains, net (Note 3)	187.5	54.8
Fair value gains on investment properties, net	671.2	69.4
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	59.2	(23.7)
Gain on bargain purchase	–	3.1
Gain on disposal of subsidiaries (Note 11)	0.2	403.0
Write-back of impairment loss on property under development	57.0	–
Impairment loss on properties held for sale	–	(15.5)
Impairment loss on items of property, plant and equipment	(50.5)	–
Property selling and marketing expenses	(42.3)	(57.6)
Administrative expenses	(375.0)	(392.7)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION	1,746.1	1,174.8
Depreciation and amortisation	(600.5)	(615.0)
OPERATING PROFIT (Notes 2 & 4)	1,145.6	559.8
Finance costs (Note 5)	(309.4)	(310.1)
Share of profits and losses of associates	(26.6)	(10.2)
PROFIT BEFORE TAX	809.6	239.5
Income tax (Note 6)	(91.5)	(4.1)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	718.1	235.4

Consolidated Statement of Profit or Loss (Cont'd)

	Year ended 31st December, 2017 HK\$'M	Year ended 31st December, 2016 HK\$'M
Attributable to:		
Equity holders of the parent	528.5	217.0
Non-controlling interests	189.6	18.4
	<hr/> 718.1	<hr/> 235.4
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (Note 8)		
Basic and diluted	<hr/> HK47.41 cents*	<hr/> HK19.47 cents

* Excluding the distribution related to perpetual securities of HK\$55.1 million for the year ended 31st December, 2017, the basic and diluted earnings per share are HK42.47 cents and HK42.47 cents, respectively.

Consolidated Statement of Comprehensive Income

	Year ended 31st December, 2017	Year ended 31st December, 2016
	HK\$'M	HK\$'M
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	718.1	235.4
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	31.6	(4.1)
Exchange differences on translating foreign operations	202.0	(159.1)
Reclassification adjustment on disposal of foreign operations	1.6	–
Share of other comprehensive income/(loss) of associates	0.2	(0.1)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	235.4	(163.3)
Other comprehensive income not to 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 not to be reclassified to profit or loss in subsequent periods	8.1	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	243.5	(163.3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	961.6	72.1
Attributable to:		
Equity holders of the parent	701.6	102.4
Non-controlling interests	260.0	(30.3)
	961.6	72.1

Consolidated Statement of Financial Position

	31st December, 2017	31st December, 2016
	HK\$'M	HK\$'M
NON-CURRENT ASSETS		
Property, plant and equipment	22,671.7	19,429.0
Investment properties	3,445.2	2,395.3
Properties under development	2,075.3	1,293.0
Investment in a joint venture	–	1,150.7
Investments in associates	22.6	31.8
Available-for-sale investments	385.8	278.1
Financial asset at fair value through profit or loss	1.9	1.9
Contingent consideration receivable	–	10.3
Loans receivable	111.9	93.4
Finance lease receivables	–	36.8
Deposits and prepayments	92.0	73.7
Deferred tax assets	51.7	94.0
Other asset	–	5.0
Goodwill	261.0	261.0
Trademark	610.2	610.2
Other intangible assets	–	97.1
Total non-current assets	<u>29,729.3</u>	<u>25,861.3</u>
CURRENT ASSETS		
Properties under development	7,194.9	6,465.5
Properties held for sale	1,285.8	1,268.5
Aircraft held for sale	18.4	–
Inventories	65.5	64.8
Loans receivable	4.5	3.7
Finance lease receivables	37.1	36.3
Debtors, deposits and prepayments (Note 9)	683.8	1,261.7
Held-to-maturity investments	167.9	466.7
Financial assets at fair value through profit or loss	1,616.3	881.0
Derivative financial instruments	–	12.8
Tax recoverable	11.7	0.2
Restricted cash	145.6	438.5
Pledged time deposits and bank balances	550.4	265.1
Time deposits	1,896.5	2,682.0
Cash and bank balances	2,224.7	1,806.9
Total current assets	<u>15,903.1</u>	<u>15,653.7</u>

Consolidated Statement of Financial Position (Cont'd)

	31st December, 2017	31st December, 2016
	HK\$'M	HK\$'M
CURRENT LIABILITIES		
Creditors and accruals (Note 10)	(1,040.7)	(847.3)
Deposits received	(2,568.5)	(2,253.4)
Interest bearing bank borrowings	(4,251.6)	(992.8)
Other borrowings	(1,945.8)	(2,258.5)
Derivative financial instruments	(3.0)	(5.7)
Tax payable	(141.1)	(145.5)
Total current liabilities	<u>(9,950.7)</u>	<u>(6,503.2)</u>
NET CURRENT ASSETS	<u>5,952.4</u>	<u>9,150.5</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>35,681.7</u>	<u>35,011.8</u>
NON-CURRENT LIABILITIES		
Creditors and deposits received	(74.7)	(114.5)
Interest bearing bank borrowings	(9,142.0)	(8,560.4)
Other borrowings	(2,713.7)	(4,621.3)
Convertible bonds	–	(31.1)
Deferred tax liabilities	(2,048.5)	(2,169.9)
Total non-current liabilities	<u>(13,978.9)</u>	<u>(15,497.2)</u>
Net assets	<u>21,702.8</u>	<u>19,514.6</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	111.4	111.4
Reserves	13,649.6	13,002.1
	<u>13,761.0</u>	<u>13,113.5</u>
Perpetual securities	1,732.9	–
Non-controlling interests	6,208.9	6,401.1
Total equity	<u>21,702.8</u>	<u>19,514.6</u>

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, certain available-for-sale investments, financial assets at fair value through profit or loss, contingent consideration receivable and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest million except when otherwise indicated.

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

Other than as explained below regarding the impact of HKAS 7, the adoption of the above revised standards has had no significant financial effect on the Group’s financial statements.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the

changes in liabilities arising from financing activities is provided in the Group's financial statements.

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 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 convertible bonds, 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, 2017 and 2016:

	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	
	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M
Segment revenue:																		
Sales to external customers	1,109.9	335.1	18.8	14.3	2,286.6	2,153.9	-	-	104.2	142.7	39.7	99.0	29.4	26.8	-	-	3,588.6	2,771.8
Intersegment sales	7.1	5.9	175.7	198.9	8.2	3.0	119.9	96.2	-	-	-	-	76.2	24.9	(387.1)	(328.9)	-	-
Total	1,117.0	341.0	194.5	213.2	2,294.8	2,156.9	119.9	96.2	104.2	142.7	39.7	99.0	105.6	51.7	(387.1)	(328.9)	3,588.6	2,771.8
Segment results before depreciation and amortisation	797.8	315.0	(0.1)	0.7	852.1	794.3	(13.3)	(11.9)	177.5	127.0	31.8	106.3	3.6	2.3	-	-	1,849.4	1,333.7
Depreciation and amortisation	(24.2)	(24.2)	(0.4)	(0.4)	(539.1)	(521.6)	(0.4)	(0.4)	-	-	(22.4)	(54.3)	(12.5)	(12.6)	-	-	(599.0)	(613.5)
Segment results	773.6	290.8	(0.5)	0.3	313.0	272.7	(13.7)	(12.3)	177.5	127.0	9.4	52.0	(8.9)	(10.3)	-	-	1,250.4	720.2
Unallocated interest income and unallocated non-operating and corporate gains																	56.6	27.4
Unallocated non-operating and corporate expenses																	(161.4)	(187.8)
Operating profit																	1,145.6	559.8
Finance costs																	(309.4)	(310.1)
Share of profits and losses of associates	(8.3)	-	-	-	-	1.7	-	-	-	-	-	-	(18.3)	(11.9)	-	-	(26.6)	(10.2)
Profit before tax																	809.6	239.5
Income tax																	(91.5)	(4.1)
Profit for the year before allocation between equity holders of the parent and non-controlling interests																	718.1	235.4
Attributable to:																		
Equity holders of the parent																	528.5	217.0
Non-controlling interests																	189.6	18.4
																	718.1	235.4

	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	
	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M	2017 HK\$'M	2016 HK\$'M
Segment assets	15,966.5	13,868.0	46.4	39.2	22,090.4	18,866.6	52.1	42.6	2,207.6	1,681.5	277.3	317.4	133.1	237.5	(50.7)	(41.3)	40,722.7	35,011.5
Investment in a joint venture	-	1,150.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,150.7
Investments in associates	17.0	21.2	-	-	-	-	-	-	-	-	-	-	5.6	10.6	-	-	22.6	31.8
Cash and unallocated assets																	4,887.1	5,321.0
Total assets																	<u>45,632.4</u>	<u>41,515.0</u>
Segment liabilities	(3,097.9)	(2,575.9)	(49.9)	(41.4)	(416.5)	(391.6)	(2.3)	(2.4)	(3.6)	(10.6)	(86.1)	(138.4)	(5.0)	(8.1)	50.7	41.3	(3,610.6)	(3,127.1)
Interest bearing bank borrowings and unallocated liabilities																	(20,319.0)	(18,873.3)
Total liabilities																	<u>(23,929.6)</u>	<u>(22,000.4)</u>
Other segment information:																		
Capital expenditure*	1,925.2	1,429.0	-	1.3	3,692.2	73.6	0.3	0.1	-	-	145.4	2.6	3.2	116.7				
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	(3.1)				
Gain on disposal of subsidiaries	-	(403.0)	-	-	-	-	-	-	-	-	-	-	(0.2)	-				
Loss/(Gain) on disposal of investment properties	(0.1)	23.7	-	-	-	-	-	-	-	-	-	-	-	-				
Loss/(Gain) on disposal of items of property, plant and equipment, net	(14.4)	-	-	(0.1)	0.8	-	-	-	-	-	(5.2)	(19.6)	-	-				
Reversal of impairment of loans receivable	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)				
Write-back of impairment loss on property under development	(57.0)	-	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on properties held for sale	-	15.5	-	-	-	-	-	-	-	-	-	-	-	-				
Impairment loss on items of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	50.5	-	-	-				
Impairment of trade debtors	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-				
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	-	-	-	-	-	-	-	-	(61.3)	24.8	-	-	2.1	(1.1)				
Fair value gains on investment properties, net	(669.2)	(60.4)	-	-	(2.0)	(9.0)	-	-	-	-	-	-	-	-				
Fair value gain upon reclassification of a property held for sale to an investment property	-	(3.7)	-	-	-	-	-	-	-	-	-	-	-	-				
Interest income	(37.4)	(0.7)	-	-	-	-	-	-	(54.6)	(37.3)	(4.8)	(1.0)	(3.3)	(1.8)				
Maintenance reserves released	-	-	-	-	-	-	-	-	-	-	(54.7)	-	-	-				

* Capital expenditure includes intangible assets arising from the acquisition of subsidiaries.

Geographical information

(a) Revenue from external customers

	2017	2016
	HK\$'M	HK\$'M
Hong Kong	2,652.5	2,574.4
Mainland China	850.0	36.9
Other	86.1	160.5
	3,588.6	2,771.8

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

	2017	2016
	HK\$'M	HK\$'M
Hong Kong	27,168.7	23,274.0
Mainland China	1,664.6	1,747.1
Other	333.7	318.8
	29,167.0	25,339.9

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:

	2017	2016
	HK\$'M	HK\$'M
<u>Revenue</u>		
Rental income:		
Hotel properties	41.8	44.1
Investment properties	17.1	15.2
Properties held for sale	2.6	2.6
Aircraft	34.9	98.0
Construction and construction-related income	13.3	9.4
Proceeds from sale of properties	1,098.9	324.2
Estate management fees	5.5	4.9
Net gain from sale of financial assets at fair value through profit or loss*	38.0	102.2
Net gain on settlement of derivative financial instruments	12.0	3.1
Interest income from financial assets at fair value through profit or loss	41.8	27.7
Interest income from finance leases	4.8	1.0
Dividend income from listed investments	12.4	9.7
Hotel operations and management services	2,236.1	2,102.9
Logistics and related services income	9.1	13.9
Other operations	20.3	12.9
	3,588.6	2,771.8
	3,588.6	2,771.8

*Inclusive of dividend income from fund investments of HK\$155.9 million (2016 – Nil) and net loss on disposal of fund investments of HK\$158.4 million (2016 – Nil). These fund investments were purchased and sold during the year and were considered as linked transactions. The Directors are of the opinion that offsetting of the amounts better reflects the substance of these linked transactions.

	2017	2016
	HK\$'M	HK\$'M
<u>Other income and gains, net</u>		
Bank interest income	53.7	25.9
Other interest income	53.9	12.9
Dividend income from unlisted investments	3.8	0.8
Gain/(Loss) on disposal of an investment property	0.1	(23.7)
Gain on disposal of items of property, plant and equipment, net	18.8	19.7
Fair value gain upon reclassification of a property held for sale to an investment property	–	3.7
Maintenance reserves released	54.7	–
Others	2.5	15.5
	187.5	54.8

4. An analysis of profit/(loss) on sale of properties of the Group is as follows:

	2017	2016
	HK\$'M	HK\$'M
Profit/(Loss) on disposal of properties	114.5	(46.3)

5. Finance costs of the Group are as follows:

	2017	2016
	HK\$'M	HK\$'M
Interest on bank loans	201.4	173.6
Interest on other borrowings	268.7	230.4
Interest on convertible bonds	2.5	2.1
Other interest	0.8	–
Amortisation of debt establishment costs	41.3	63.7
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>514.7</u>	<u>469.8</u>
Other loan costs	13.2	13.5
	<u>527.9</u>	<u>483.3</u>
Less: Finance costs capitalised	<u>(218.5)</u>	<u>(173.2)</u>
	<u><u>309.4</u></u>	<u><u>310.1</u></u>

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

	2017	2016
	HK\$'M	HK\$'M
Current – Hong Kong		
Charge for the year	85.2	97.9
Underprovision/(Overprovision) in prior years	(4.3)	7.4
Current – Overseas		
Charge for the year	65.5	3.2
Overprovision in prior years	–	(0.2)
PRC land appreciation tax	4.5	–
Deferred	(59.4)	(104.2)
Total tax charge for the year	<u><u>91.5</u></u>	<u><u>4.1</u></u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2016 – 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 joint venture and associates as no assessable profits were earned by the joint venture and associates during the year (2016 – Nil).

7. Dividends:

	2017	2016
	HK\$'M	HK\$'M
Interim – HK2.5 cents (2016 – HK2.3 cents) per ordinary share	27.9	25.6
Proposed final – HK8.0 cents (2016 – HK6.7 cents) per ordinary share	89.2	74.7
	117.1	100.3

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\$528.5 million (2016 – HK\$217.0 million) and on the weighted average of 1,114.6 million (2016 – 1,114.6 million) ordinary shares of the Company in issue during the year.

No adjustment has been made to the basic earnings per ordinary share amount presented for the years ended 31st December, 2017 and 2016 as the Company had no potentially

dilutive ordinary shares in issue and therefore no diluting events existed throughout the years.

9. Included in debtors, deposits and prepayments is an amount of HK\$147.4 million (2016 – HK\$145.9 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:

	2017	2016
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	122.7	124.4
Between 4 to 6 months	3.5	4.1
Between 7 to 12 months	7.2	5.6
Over 1 year	15.8	13.5
	<hr/> 149.2	<hr/> 147.6
Impairment	(1.8)	(1.7)
	<hr/> 147.4 <hr/>	<hr/> 145.9 <hr/>

Credit terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. 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.

10. Included in creditors and accruals is an amount of HK\$87.0 million (2016 – HK\$93.8 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:

	2017	2016
	HK\$'M	HK\$'M
Outstanding balances with ages:		
Within 3 months	86.8	93.2
Between 4 to 6 months	0.1	0.4
Between 7 to 12 months	0.1	0.2
	<hr/> 87.0 <hr/>	<hr/> 93.8 <hr/>

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

11. 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 上海禾允投資諮詢有限公司 and its wholly owned subsidiary at a total consideration of HK\$71.0 million. The Cosmopolitan group ceased to engage in the provision of logistics and related services in Shanghai, the PRC with effect from 30th June, 2017. 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, 2017.

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December, 2017, 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, 2017, 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, 2018