



**KECK SENG INVESTMENTS
(HONG KONG) LIMITED**

Stock Code : 184

ANNUAL REPORT 2017 ANNUAL REPORT 2017



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FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
Total Assets	6,495,298	6,659,344
Total equity attributable to Equity Shareholders	3,710,507	3,610,991
Issued Share Capital	498,305	498,305
Revenue	1,949,497	1,955,211
Profit Before Taxation	213,352	412,742
Profit Attributable to Equity Shareholders	131,005	225,345
Basic Earnings Per Share (cents)	38.5	66.2
Dividends Attributable to the year (cents per share)	15.0	15.0

CORPORATE INFORMATION

DIRECTORS

HO Kian Guan – *Executive Chairman*
 HO Kian Hock – *Deputy Executive Chairman*
 TSE See Fan Paul
 CHAN Lui Ming Ivan
 YU Yuet Chu Evelyn
 HO Chung Tao
 HO Chung Hui
 * HO Kian Cheong
 ** CHAN Yau Hing Robin
 ** KWOK Chi Shun Arthur
 ** WANG Poey Foon Angela
 ** YU Hon To David
 HO Chung Kain (Alternate to HO Chung Hui)

* *Non-executive Director*

** *Independent Non-executive Director*

AUDIT COMMITTEE

CHAN Yau Hing Robin – *Chairman*
 KWOK Chi Shun Arthur
 WANG Poey Foon Angela
 YU Hon To David

REMUNERATION COMMITTEE

WANG Poey Foon Angela – *Chairman*
 CHAN Yau Hing Robin
 KWOK Chi Shun Arthur
 YU Hon To David
 TSE See Fan Paul
 YU Yuet Chu Evelyn

NOMINATION COMMITTEE

KWOK Chi Shun Arthur – *Chairman*
 CHAN Yau Hing Robin
 WANG Poey Foon Angela
 YU Hon To David
 TSE See Fan Paul
 HO Chung Tao

AUDITORS

KPMG
 8th Floor
 Prince's Building
 10 Chater Road
 Central
 Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong

COMPANY SECRETARY

NG Sing Beng

REGISTERED OFFICE

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 Shun Tak Centre
 168-200 Connaught Road Central
 Hong Kong

COMPANY'S WEBSITE

www.keckseng.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2017.

RESULTS

The consolidated Group net profit attributable to equity shareholders for the year 2017 amounted to HK\$131 million, a reduction of 41.8% as compared to HK\$225 million in 2016. Earnings per share for the year 2017 amounted to HK\$0.385 per share as compared to HK\$0.662 per share in 2016.

DIVIDENDS

The Board is recommending that a final dividend of HK\$0.12 per share be paid for the year ended 31 December 2017. An interim dividend of HK\$0.03 per share has already been paid. Total dividends for the year will be HK\$0.15 per share.

REVIEW OF OPERATIONS

The Group's revenue for 2017 was HK\$1,949 million, a decrease of 0.3% as compared to HK\$1,955 million in 2016.

Operating profit was HK\$390 million, a decrease of 5.8% as compared to HK\$414 million in 2016. As a result of an impairment loss of HK\$146 million being recognised during the year of 2017, as well as a smaller increase in fair value of investment property in 2017 (HK\$5.5 million) as compared to 2016 (HK\$19 million), the profit after tax for the year dropped to HK\$226 million, a reduction of 27.1% as compared to HK\$310 million in 2016.

A summary and analysis of the operations are as follow:

Macau

In 2017, Macau's GDP was recorded at MOP404.2 billion, an increase of 11.6% from 2016. Macau's economic fundamentals remained upbeat with a low unemployment rate of 2.0% and high fiscal reserves. However, uncertainties in the global political and economic environment may still impact Macau's economy. The Macau property market remained on the upward trend throughout 2017. Capital values for high-end and mass-to-medium residential properties rose by 8.8% and 5.7% respectively year-on-year in 2017.

The sale of properties by the Group in Macau was HK\$24.8 million during 2017.

In the residential leasing market, capital values rose faster than rental values, resulting in a downward pressure on rental return in this segment of the market. Average rental return for high-end and mass-to medium residential properties in Macau remained low at 1.4% and 1.6% respectively in 2017. There is also an increase in supply of residential properties in Taipa. As such, it is difficult to increase rental rates. Against this background, income from leasing of Macau properties of the Group has dropped to HK\$87.6 million in 2017, a slight decrease of 0.6% as compared to HK\$88.1 million in 2016.

In respect of the outlook for the Macau's property market, it is the view of the directors that the impending completion and optimal utilisation of the Hong Kong-Zhuhai-Macau Bridge will have a positive impact on the value of residential properties in Macau. The directors therefore decided that the Group should continue to closely monitor property market conditions, and to conduct sale of properties at a time and price that will optimise profits for the Group. In the meantime, properties held for sale in Macau are being leased to maximise profits.

CHAIRMAN'S STATEMENT (continued)

The People's Republic of China

Holiday Inn Wuhan Riverside ("HIRW") The Chinese economy was undergoing a period of consolidation. The GDP in 2017 grew by 6.8%, as compared to annual growth rate of 6.7% in 2016. GDP of Wuhan in 2017 grew by 8%, as compared to 9.2% in 2016. Driven by three strategic emerging industries – IT, health and life products, and intelligent manufacturing systems, Wuhan had managed to attract a record-high investment of RMB2.6 trillion during 2017.

Holiday Inn Wuhan Riverside improved its occupancy rate to 73.0% in 2017 as compared to 72.0% in 2016. Average room rate had slightly increased to RMB410 during the year, as compared to RMB402 in 2016.

Gross operating revenue increased by 3.8% in 2017 to RMB54.8 million, as compared to RMB52.8 million in 2016, primarily as a result of increase in room revenue as well as food and beverage revenue.

Vietnam

Vietnam's GDP grew by 7.7% in 2017 as compared to the previous year on the back of robust commercial activities. With a GDP growth rate of 8.3%, Saigon's economic growth performed better than the national average in 2017.

Sheraton Saigon Hotel & Towers ("SSHT") The Sheraton Saigon Hotel & Towers' financial performance in terms of gross operating profit in 2017 was up by 8.9% year-on-year. Vietnam strengthened its position as a major tourism destination area in Southeast Asia with arrivals up by 12% for the year on a nationwide basis. This was reflected in the hotel's occupancy performance in 2017 at 74.4% as compared to 69.7% in 2016. However, the increased competition in the market has led to a reduced average room rate to US\$157 as compared to US\$159 in 2016.

Going forward, the hotel planned to work diligently to derive maximum benefit from the Marriott brand name and its global network, both in terms of attaining potential cost-savings and driving synergies in all operational areas.

Caravelle Hotel ("Caravelle") Occupancy rate increased from 61.4% in 2016 to 68.7% in 2017. However, average room rate has decreased to US\$113 in 2017, as compared to US\$122 in 2016. Completion of renovation of the ballroom and other public areas of the hotel has contributed to an increase in occupancy rate. Share of contribution to profit from the hotel has decreased to HK\$14.9 million in 2017, as compared to HK\$18.1 million in 2016.

Japan

The Japanese GDP growth had slowed to approximately by 1.6% in 2017. Weak domestic demand was however offset by strong export growth fueled by global demand for its products.

Best Western Hotel Fino Osaka Shinsaibashi ("BWO") During 2017, the hotel's occupancy rate increased marginally to 90.6%, as compared to 89.2% in 2016. Average room rate dropped to Yen10,984 in 2017, as compared to Yen12,578 in 2016. Gross operating profit has decreased by 12.3% in 2017 to Yen452.2 million, as compared to Yen515.4 million in 2016.

The United States ("US")

The US economy remained strong with its GDP in 2017 at US\$19,387 billion, representing an annual growth rate of 2.3% as compared to 1.6% annual growth rate in 2016.

W San Francisco ("WSF") San Francisco had seen economic growth of approximately 2.5% in 2017, which is above the national average. The city's economy is spurred by significant growth in the technology sector.

CHAIRMAN'S STATEMENT (continued)

Due to short-term weakness in the local tourism and hotel market, W San Francisco's occupancy dropped to 86.7% in 2017 versus 89.8% in 2016. Average room rate was US\$338 in 2017 versus US\$343 in 2016. The reductions in occupancy and room rates were mainly due to ongoing construction works at the nearby Moscone Convention Centre. It is expected that business for the hotel will pick up again once the expansion of Moscone Convention Centre is completed.

W San Francisco's service excellence continued to be well recognised. The hotel was elected as one to the top 20 hotels in San Francisco in 2017.

Sofitel New York ("SNY") In 2017, New York recorded economic growth of around 2.7%, which is slightly higher than the national average.

The New York lodgings marketplace continued to face challenges in 2017. The overall supply of new guestrooms outpaced the demand for accommodations, which put downward pressure on average room rates. Despite this unfavorable trend, the Sofitel New York had managed to yield slightly higher room rate in 2017 with an average room rate of US\$359 against a rate of US\$358 in 2016. Occupancy had slightly decreased to 89% versus 89.5% in 2016.

Due to the weakening in New York's hotel market and the operating performance of the hotel is behind budget due to an increase in competition in the market as a result of new room supply entering the city as well as continuing pressure from the Airbnb segment, the Group had assessed the recoverable amount of the hotel and recognised HK\$145.9 million as impairment loss during the year.

Canada

The economy had grown above expectation in 2017, registering a GDP growth rate of 3.0%, as compared to 1.1% in 2016.

Sheraton Ottawa Hotel ("SOH") Ottawa had experienced a growth in GDP in 2017 of 2.5%, as compared to GDP growth in 2016 of 2.0%.

The Sheraton Ottawa Hotel reported reduced occupancy rate of 72.3% in 2017 versus 77.9% in 2016, whilst average room rate increased to C\$191 in 2017 versus C\$182 in 2016. The drop in occupancy rate was mainly due to the Canada 150th Anniversary celebration not bringing in as many tourists as previously expected. In addition, a number of hotels in Ottawa had completed major renovations in 2017, which resulted in an increase in room inventory.

Delta Hotels by Marriott Toronto Airport & Conference Centre (formerly known as the "International Plaza Hotel" and rebranded since 28 June 2017) ("DTA") Toronto had reported a GDP growth rate of 3.9% in 2017, as compared to 4.4% in 2016.

The hotel saw a lower occupancy of 61.4% in 2017 versus 74.5% in 2016 due to ongoing renovation works. Room rates had increased to C\$122 in 2017 versus C\$103 in 2016. This is primarily as a result of the hotel's increasing ability to charge higher rates after rebranding as Marriott's Delta brand. The Greater Toronto Airport sub-market was generally stable in 2017, with no new hotel supply coming into the market. There had been a reduction in number of travellers from the US due to weak US currency in the final quarter of the year.

CHAIRMAN'S STATEMENT (continued)

Other net (losses)/gains

Net exchange gains for 2017 amounted to HK\$24.7 million, as compared to net exchange losses of HK\$14.1 million in 2016.

Net realised and unrealised losses on derivative financial instruments amounted to HK\$26.5 million in 2017, as compared to gains of HK\$32.9 million in 2016.

Net realised and unrealised losses on trading securities for 2017 amounted to HK\$0.6 million, as compared to gains of HK\$1.6 million in 2016.

There was a loss on disposal of property, plant and equipment in 2017 amounting to HK\$1.7 million, as compared to a gain of HK\$0.2 million in 2016. These were related to disposal of furniture, fixtures and equipment.

PROSPECTS

The global economy has continued to experience volatility while proving to be resilient. Economic activities of virtually every major region have now stabilised whilst some economies are trending upwards. Tax reform in the US is expected to provide impetus for economic growth, which bodes well for the hotel sector in the US.

The Company does not currently have any investments in Europe. The global private placement by Accor Hotels of shares in AccorInvest in early 2018 offers the Company the opportunity, from a strategic perspective, to gain exposure to a diversified portfolio of hotels mainly located in Europe with a robust income stream, opportunities for capital appreciation and value enhancement, and an acceptable dividend yield.

2018 is generally expected to be a year filled with challenges in global financial markets and world economic conditions. The interest rate cycle in the US is expected to enter a new phase with periodic increases in 2018. China is still going through consolidation in both its economy and financial markets, while aiming for soft-landing during this period of adjustment. Macau's economy is returning to stability after experiencing contraction in the past two years. Vietnam is continuing its path towards economic growth.

The Group regards 2018 as a year of consolidation. We will continue to adopt a disciplined approach towards acquisitions, targeting industries and countries or regions where it has a comparative advantage. The Group will continue to focus on seeking investments that creates long-term value on a sustainable basis for shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our sincere appreciation to the management and staff of our Group for their diligence, dedication and loyalty. The independent non-executive directors have continued to dispense their advice generously and in a professional manner. To them, we owe our sincere gratitude.

Ho Kian Guan
Executive Chairman

Hong Kong, 23 March 2018

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (the “Group”) are hotel and club operations, property investment and development and the provision of management services.

The principal activities of the Company are investment holding and those of its subsidiaries are set out in Note 12 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 10 to the financial statements.

BUSINESS REVIEW AND PERFORMANCE

Further discussion and analysis of the Group’s principal activities and business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing by the Group, indication of likely future developments in the Group’s business, analysis of the Group’s performance during the year and the material factors underlying its results and financial position, can be found in “Corporate Governance Report”, “Chairman’s Statement” and “Other Corporate Information” sections of the Annual Report. This discussion forms part of this “Report of the Directors”. There is no significant event affecting the Group that has occurred since the end of the financial year 2017.

ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”)

Our ESG Governance

Sustainability and environmental conservation are important issues for our customers, suppliers, shareholders, governments of respective countries, and the general public. The Group is committed to the long-term sustainability of its businesses and communities where our stakeholders work and reside. We aim to do businesses fairly, ethically and in accordance with local laws that promote and safeguard fair competition between businesses. We seek to work with contractors and suppliers that behave in an economical, environmentally friendly and socially responsible manner.

The Group considers that there is a close linkage between its Environmental, Social and Governance (“ESG”) strategy and business operations. ESG strategy and policies facilitates the Group’s understanding of its exposure to emerging environmental and social risks, and its linkage to new commercial opportunities. Our hotels strictly follow their hotel chains’ sustainability goals which consist of reduction of environmental impact, community and employee development and human right initiatives. ESG reporting is the process by which the Group gathers data to monitor and manage its environmental performance and social responsibilities.

We are committed to create an open, transparent and safe working environment where our employees feel comfortable to work in. A confidential whistle-blowing mechanism has been established to ensure all raised concerns are promptly responded and followed up by our Internal Audit Team and Audit Committee.

Our employment contracts have clearly stipulated that all staffs must act with integrity with their actions are made in best interest of the Group and to comply with all relevant local regulations. Any violations with our employment contract will be subject to disciplinary actions or terminations.

In financial year of 2017,

- We have recorded no cases of corruption practices.
- There was no incident of significant non-compliance with any relevant laws and regulations in all material aspects for the business operation of the Group.

REPORT OF THE DIRECTORS (continued)

OUR EMPLOYEES

Our Workforce Diversity

At the Group, we strongly believe workforce diversity is key to our success. Since our Group invest in properties across the globe, we need to embrace workplace diversity so that we can bring in the best talents, provide broader range of services, better cater to our customers' needs, and enable our employees to perform to their highest ability.

Our Group (including our properties) follows local labor law and only recruit employees with legal working age. Personal identification information of selected candidates is fully inspected to ensure no child and forced labor are employed.

Our Relations with Employees

We believe attracting and retaining loyal employees in the respective geographical areas of operations is central to our success. We are an equal opportunities employer and aim to provide a work environment that is respectful, challenging, rewarding and safe. We have policies covering training and development, labor practices, human rights and workplace health and safety. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. We pursue the highest standards of integrity and honesty from every employee in every process.

We provide new employees with the required orientation and on-the-job training. In addition, we encourage our employees to improve their job-related knowledge through sponsorship of relevant external courses.

It is our responsibility to reward our employees with their hard work and dedication. Salary and remuneration are competitive and are based on varying conditions in the different countries in which the Company and its subsidiaries operate. Discretionary bonus is paid out to our employees if certain conditions are met. To help our employees develop their careers, employees with exceptional performance and the required experience are considered for promotion should such opportunities are available.

Our Work Place Safety

The Group is committed to provide a safe working environment for its employees. We comply with all applicable local laws and regulations on work safety to minimise the possibility of employees getting injured when performing their duties. General and customised occupational safety training sessions are provided to employees based on their specific roles and responsibilities.

During the year there were no work-related fatalities.

Our Community

Social sustainability and community investments are essential to our responsible operation and are valued in our communities. The Group conducts business with honesty, integrity and respect for all people and communities, especially towards our employees. Dialogue between management and employees is integral to our work practices and takes place daily and directly in the respective local cultural environments.

This year we have participated in activities with the following focus areas of contribution:

- Education
- Environmental Protection
- Youth Welfare
- Support for Poverty
- Humanitarian Support
- Culture

Charitable donations made by the Group during the year amounted to HK\$1,192,000 on an aggregated basis.

REPORT OF THE DIRECTORS (continued)

OUR ENVIRONMENT

The Group maintains a global perspective on managing our emissions, minimising use of fresh water and reducing energy use. The local management of each major reporting entity is accountable to ESG reporting. The Group (including its subsidiaries and associates) has complied with all environmental regulations and internal policies related to environmental responsibility. We aim to improve our performance continually in line with best practices, and to be prepared to respond to future challenges and opportunities on sustainable development.

One of our hotel properties, WSF, is a leading environmental friendly hotel. It is LEED Platinum certified (awarded by US Green Building Council) which is the first hotel that had received such certification. WSF uses CFLs (compact fluorescent lights), LEDs (light-emitting diode lights), motion sensors, and other key technologies in more than 70% of guestroom lighting and 90% of back-of-house lighting. It utilises energy efficient HVAC cooling towers that saves 300 KWH a year. In addition, the hotel has implemented beehives and aquaponics systems to provide homemade honey and flowers for the hotel's own use.

No incident of significant non-compliance with relevant environmental policies, laws and regulations was recorded in 2017 for our Group and subsidiaries.

Our Emissions

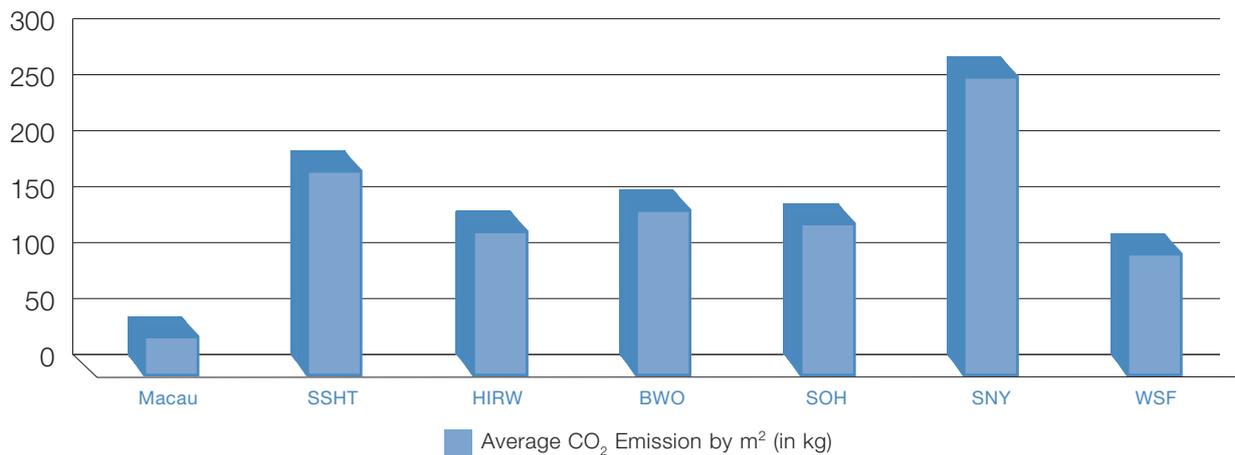
The below table shows the emissions data for our subsidiaries:

Emission Type	Unit of Measurement	Macau	SSHT	HIRW	BWO	SOH	SNY	WSF
SOx, NOx and Particulate Matter	KG/m ²	Emission amounts are not significant.						
Total Greenhouse Gas Emissions (Note)	KG	1,454,124	12,569,388	3,527,854	567,930	3,493,606	7,253,607	2,939,706
Average Greenhouse Gas Emissions (Note)	KG/m ²	34	182	128	147	135	266	108
Total Hazardous waste produced	KG	1,482	577	0	360	281	244	173
Average Hazardous waste produced	KG/m ²	Amount is not significant on an average basis						
Total Non-Hazardous Waste Produced	KG	3,098,000	1,700,000	582,000	21,900	159,000	404,000	86,000
Average Non-Hazardous Waste Produced	KG/m ²	69	25	21	6	6	15	3

Note: the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong", published by the HKSAR Environmental Protection Department ("EPD") and Electrical and Mechanical Services Department (http://www.epd.gov.hk/epd/english/climate_change/files/Guidelines_English_2010.pdf).

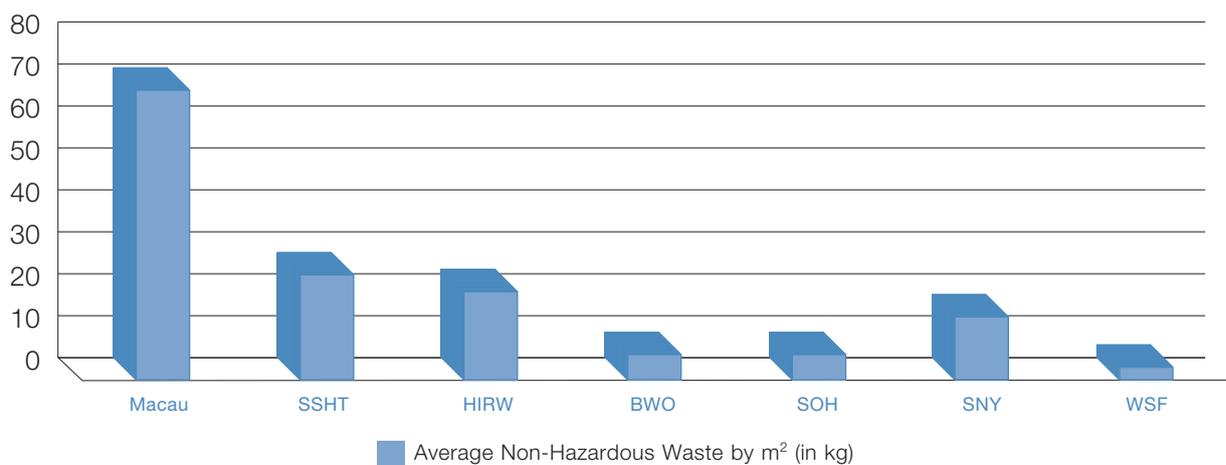
REPORT OF THE DIRECTORS (continued)

Average CO₂ Emission per m² of various properties (GFA)



Compared to our other properties, SNY generated more CO₂ emissions on average due to its higher average direct and indirect energy consumption. Since the property management and Sales and Leasing businesses require less electricity to run, the Macau Operations generated significantly less CO₂ emissions than our hotel properties on average.

Average Non-Hazardous Waste per m² of various properties (GFA)



Ocean Gardens in Macau is home to over 10,000 residents who live in the property on a permanent basis. As permanent residents tend to produce more garbage than travelers, the Macau operations produce significantly higher non-hazardous waste than hotels on average.

Our properties make their best efforts to reduce amount of emissions through periodic inspections and maintenance of vehicles, generators and boilers. As a result, they manage to keep the emissions below allowable emission standards.

In terms of waste reduction, our subsidiaries separate hazardous and non-hazardous wastes. Whilst waste reduction efforts are made through recycling, wastes that cannot be recycled would either go to landfills (for non-hazardous waste) or be specifically handled by third party contractor (for hazardous waste).

REPORT OF THE DIRECTORS (continued)

Please find below for a list of our initiatives on managing and reducing emissions, hazardous waste and non-hazardous waste:

	Macau	SSHT	HIRW	BWO	SOH	SNY	WSF
Regular inspections on machinery and vehicles	✓	✓	✓		✓	✓	✓
Resource Recycling	✓	✓		✓			
Donation of unused resources					✓	✓	
Use LED for lighting (which has longer lifespan than traditional lighting)	✓	✓	✓	✓	✓	✓	✓
Training on managing wastes							✓

Our Use of Resources

Throughout the year our properties had consumed the following resources as follow:

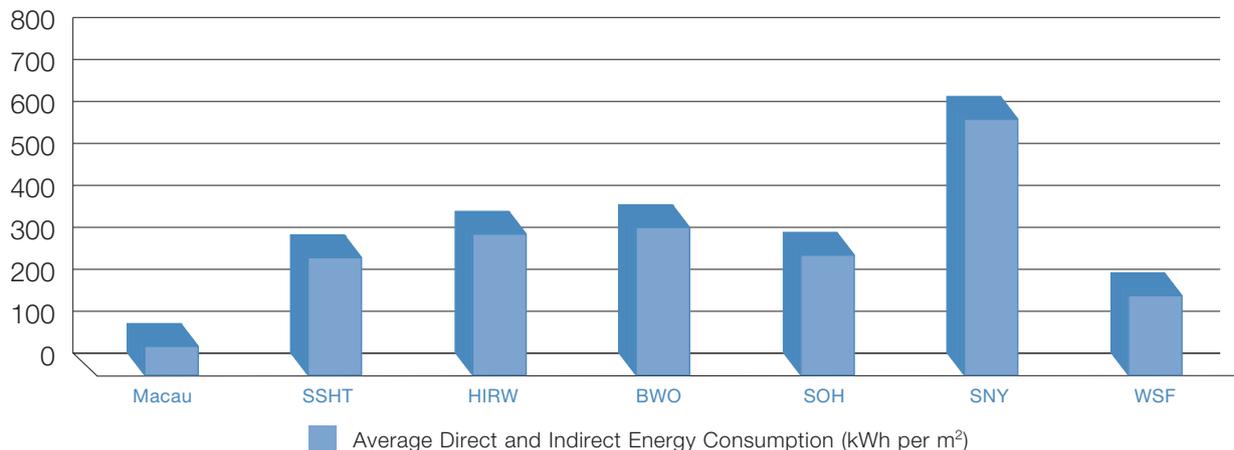
Type of Resource	Unit of Measurement	Macau	SSHT	HIRW	BWO	SOH	SNY	WSF
Total direct and indirect energy consumption (electricity, gas and oil)	kWh	3,079,437	19,295,566	9,235,343	1,363,113	7,381,593	16,649,421	5,141,113
Average direct and indirect energy consumption (electricity, gas and oil)	kWh/m ²	68.41	279.86	335.83	351.68	285.81	609.65	189.03
Total Water Consumption	m ³	22,723	171,951	60,034	24,737	40,062	137,902	43,803
Average Water Consumption	m ³ /m ²	0.50	2.49	2.18	6.38	1.55	5.05	1.61
Total Packaging Materials used for finished products	Tonnes	Due to the nature of our business (property sales, rental and management, hotel operations), there are no significant packaging materials used for our products and services.						

Our subsidiaries had implemented a number of initiatives on saving energy and water usage, as follow:

	Macau	SSHT	HIRW	BWO	SOH	SNY	WSF
Replace old lightings with LED lightings	✓	✓	✓	✓	✓	✓	✓
Utilise Solar Energy		✓			✓		
Replace cooling tower pump		✓	✓				
Install water saving facilities (installation of low-flow shower heads, sinks and toilets)			✓	✓	✓	✓	
Water recycling		✓					

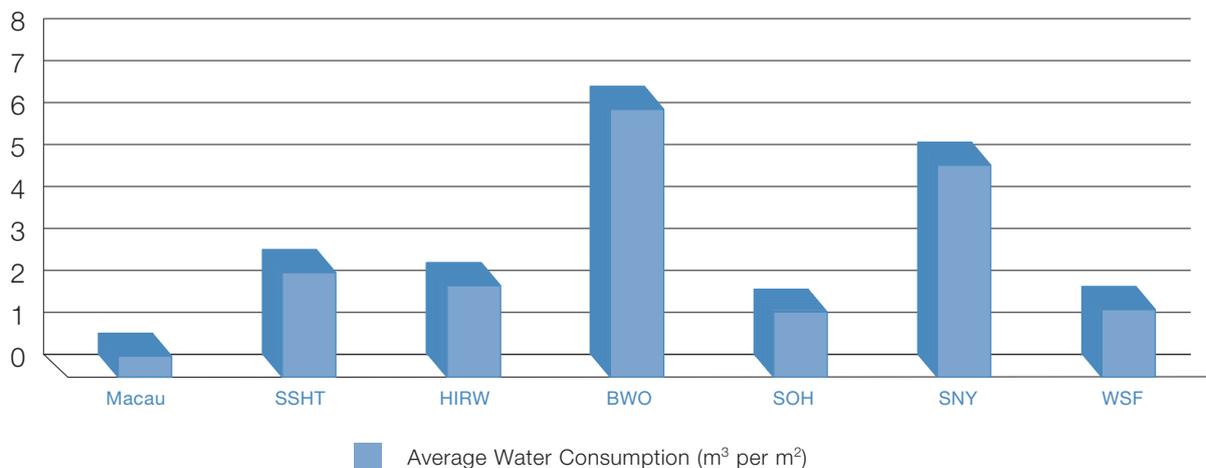
REPORT OF THE DIRECTORS (continued)

Average Direct and Indirect Energy Consumption per m² of various properties (GFA)



Compared to our other properties, SNY consumed more energy on average due to older machines being used which are less energy efficient. The Macau Operations required significantly less energy to run its property management and sales and leasing business than our hotel properties.

Average Water Consumption per m² of various properties (GFA)



BWO required more water to run the business than other hotels as its customers tend to use bath rather than shower. SNY used more water due to its older machines have less water efficiency. The Macau Operations required significantly less water to run its property management and sales and leasing business than our hotel properties.

None of our subsidiaries have issues on sourcing water that is fit for purpose.

Our Environment and Natural Resources

Our property management and hotel operations produce wastes such as food scraps, oil and chemical disposals. In addition, significant amount of water, electricity, diesel and gas need to be utilised for our daily operations.

Continuous efforts had been made by our properties to reduce our operations' impact on the environment and natural resources:

- Waste recycling;
- Energy and water saving.

REPORT OF THE DIRECTORS (continued)

Our hotels actively participate in environment-friendly initiatives organised by respective hotel chains. Targets are established for minimisation of emissions, waste production and use of resources. Our properties have received the following recognitions on their effort to protect the environment:

Property	Award
Caravelle Hotel	EarthCheck Gold Certified 2017
	ASEAN Green Hotel Standard 2016-2018
Holiday Inn Wuhan Riverside	IHG Green Engage Level 3
Ocean Gardens	Waste Saving Partner (awarded by Macao Environmental Protection Bureau)
Sheraton Saigon Hotel & Towers	Green Lotus Level 4 Certificate
	Travel Life Gold Certificate
Sofitel New York	Planet 21 Bronze Level
W San Francisco	LEED Certification Platinum
	2017 Sustainability Award of Hotel Council of San Francisco

OUR OPERATIONS

The Group is committed to ensure that its affairs are conducted in accordance with high ethical standards. By doing so, the Group believes that shareholders wealth will be maximised in the long term. Further, its employees, those with whom it does business, and the communities in which it operates will all stand to benefit.

We aim to do businesses fairly, ethically and in accordance with local laws that promote and safeguard fair competition between businesses.

Our Service Quality

We maintain mutually beneficial relationship with our customers and strive to provide quality service. Our properties mainly provide property management, property sale and leasing, hotel room accommodation and food and beverage services. In 2017, 0% of our products/services are subject to recall due to safety and health reasons.

We put customers at the heart of our business. Product and service related complaints from customers are replied and followed up promptly. Our management and staffs also ensure that such complaints are resolved in a satisfactory manner.

Our property management business in Macau (Ocean Gardens) is ISO9001:2015 certified. In order to achieve this accreditation, we are required to demonstrate our ability to provide services that meet customer needs and applicable regulatory requirements. Our hotel properties have stringent quality assurance procedures in place to ensure service provided is in accordance with international hotel chain requirements.

REPORT OF THE DIRECTORS (continued)

Service quality of our properties are well recognised as evidenced by the following awards/accreditations received by our properties:

Property	Award/Accreditation
Caravelle Hotel	Nominee for Vietnam's Leading Hotel 2017 (awarded by World Travel Awards)
Holiday Inn Wuhan Riverside	Trip Advisor 2017 Certificate of Excellence
Ocean Gardens	ISO 9001: 2015 Certified (Quality Management Systems)
Sheraton Saigon Hotel & Towers	Trip Advisor 2017 Certificate of Excellence
	Nominee for Vietnam's Leading Hotel 2017 (awarded by World Travel Awards)
	Top 10 Best Hotels & Resorts in Vietnam 2018
Sofitel New York	Top 50 Hotels in New York City: Readers' Choice Awards 2017
W San Francisco	Top 20 Hotels in San Francisco: Readers' Choice Awards 2017
	2017 California Hotel & Lodging Association Outstanding General Manager of the Year - Roger Huldi
	One of the Finest Properties in the World 2018: Forbes Travel Guide

Our Suppliers

Suppliers and contractors are selected based on work quality, stock delivery manner, cooperation and price. We seek to work with contractors and suppliers that behave in an economical, environmentally friendly and socially responsible manner.

Where possible, we purchase environmentally friendly products from qualified vendors to reduce the negative effects on the environment.

Our Customers' Privacy and Data Protection

At the Group, we protect customer data privacy and we comply with all relevant laws and regulations. Internal procedures are established for protecting customer data and they are disseminated to all relevant staffs.

We inform our customers the purpose and recipients of data during data collection; we only collect personal data that is necessary for conducting our business and we retain personal data for the period necessary in compliance with relevant provisions. Stored customer information is only accessible to authorised personnel.

We had received no complaints regarding leakage or loss of customer data in 2017.

Our Respect for Intellectual Property Rights

We respect intellectual property rights and our properties comply with relevant laws and regulations. Internal procedures are established for intellectual property rights protection and they are disseminated to all relevant staffs. Our properties only purchase authentic software licenses.

REPORT OF THE DIRECTORS (continued)

HKEX ESG REPORTING GUIDE CONTENT INDEX

A. Environmental

Aspects and General Disclosures in HKEx ESG Reporting Guide	Description	Section Reference
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Our Emissions
KPI A1.1	The types of emissions and respective Emissions data.	Our Environment – Our Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Our Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Our Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Our Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment – Our Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment – Our Emissions
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Our Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity.	Our Environment – Our Use of Resources
KPI A2.2	Water consumption in total and Intensity.	Our Environment – Our Use of Resources
KPI A2.3	Description of energy use efficiency Initiatives and results achieved.	Our Environment – Our Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our Environment – Our Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment – Our Use of Resources
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment – Our Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment – Our Environment and Natural Resources

REPORT OF THE DIRECTORS (continued)

B. Social

Aspects and General Disclosures in HKEx ESG Reporting Guide	Description	Section Reference
Aspect B1: Employment and Labour Practices		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees – Our Work Place Diversity
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees – Our Work Place Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees – Our Relations with Employees
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our Employees – Our Work Place Diversity
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Operations – Our Suppliers
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Operations – Our Service Quality, Our Customers' Privacy and Data Protection, Our Respect for Intellectual Property Rights
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our ESG Governance
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community

REPORT OF THE DIRECTORS (continued)

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, there was no incident of significant non-compliance with any relevant laws and regulations in all material aspects for the business operation of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases.
- (ii) the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 51 to 122.

TRANSFER TO RESERVES

Profits attributable to equity shareholders, before dividends, of HK\$131,005,000 (2016: HK\$225,345,000) have been transferred to reserves. Other movements in reserves of the Company are set out in Note 24 to the financial statements.

An interim dividend of HK\$0.03 per share (2016: HK\$0.03 per share) was paid on 25 October 2017. The directors now recommend the payment of a final dividend of HK\$0.12 per share (2016: HK\$0.12 per share) in respect of the year ended 31 December 2017.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$1,192,000 (2016: HK\$49,000).

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The directors during the financial year and up to the date of this report are:

Executive directors

HO Kian Guan (*Executive Chairman*)

HO Kian Hock (*Deputy Executive Chairman*)

TSE See Fan Paul

CHAN Lui Ming Ivan

YU Yuet Chu Evelyn

HO Chung Tao

HO Chung Hui

HO Chung Kain (*alternate director to Ho Chung Hui*)

Non-executive directors

HO Kian Cheong

CHAN Yau Hing Robin*

KWOK Chi Shun Arthur*

WANG Poey Foon Angela*

YU Hon To David*

* *Independent non-executive directors*

Mr. CHAN Lui Ming Ivan, Mr. HO Chung Tao, Mr. HO Chung Hui and Mr. KWOK Chi Shun Arthur shall retire from the Board of directors at the forthcoming annual general meeting in accordance with article 116 of the Company's articles of association, being eligible, offer themselves for re-election.

Mr. KWOK Chi Shun Arthur who has been serving as an Independent Non-executive Director of the Company for more than 9 years, has confirmed his independence with reference to the factors set out in Rule 3.13 of the Listing Rules. The Company considers Mr. KWOK is still independent in accordance with the independence guidelines as set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has not entered into service contracts with any of the above directors.

The non-executive directors are not appointed for a fixed period of term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with Company's articles of association.

REPORT OF THE DIRECTORS (continued)

DIRECTORS OF SUBSIDIARIES

The names of directors who have served on the boards of the subsidiaries of the Company the year and up to the date of the report are set below:

(In alphabetical order)

Ms. HO, Pansy Catilina Chiu King
 Mr. HOANG Hai Dang
 Mr. LE Ngoc Co
 Ms. LEE Hwee Leng
 Mr. LEE Sek Yean
 Ms. NG Sing Beng
 Mr. NGUYEN Dinh Phu
 Ms. NGUYEN Thi Muoi Hai
 Mr. PENG Xing Wang
 Mr. Satoshi KISHIMOTO
 Mr. SI TOU Tek Lam
 Mr. SPERLING Lawrence David
 Mr. TSE Yee Ming

CONNECTED TRANSACTIONS

The Board has reviewed all connected transactions of the Company which were undertaken in the normal course of business. All of these transactions were exempted from any reporting requirements under the Listing Rules. Details of material related party transactions which were undertaken in the normal course of business are set out in Note 27 to the Financial Statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

The directors of the Company who held office at 31 December 2017 had the following interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations") at that date as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code"):

REPORT OF THE DIRECTORS (continued)

Number of ordinary shares (unless otherwise specified)

Long Positions:

Name of Company	Name of Directors	Personal Interests ⁽¹⁾	Corporate Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Ltd	Ho Kian Guan	394,480	197,556,320 ⁽²⁾	197,950,800	58.19
	Ho Kian Hock	20,480	197,556,320 ⁽²⁾	197,576,800	58.08
	Ho Kian Cheong	55,160,480	–	55,160,480	16.21
	Tse See Fan Paul	288,720	–	288,720	0.08
	Chan Yau Hing Robin	180,000	720,000 ⁽³⁾	900,000	0.26
Lam Ho Investments Pte Ltd	Ho Kian Guan	–	32,410,774 ⁽⁴⁾	32,410,774	99.70
	Ho Kian Hock	–	32,410,774 ⁽⁴⁾	32,410,774	99.70
	Ho Kian Cheong	96,525	–	96,525	0.30
Shun Seng International Ltd	Ho Kian Guan	–	83,052 ⁽⁵⁾	83,052	83.05
	Ho Kian Hock	–	83,052 ⁽⁵⁾	83,052	83.05
	Ho Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel Co Ltd – paid in registered capital in US\$	Ho Kian Guan	–	13,163,880 ⁽⁶⁾	13,163,880	80.76
	Ho Kian Hock	–	13,163,880 ⁽⁶⁾	13,163,880	80.76
	Ho Kian Cheong	1,017,120	–	1,017,120	6.24
	Kwok Chi Shun Arthur	–	489,000 ⁽⁷⁾	489,000	3.00
Golden Crown Development Ltd – common shares	Ho Kian Guan	–	56,675,000 ⁽⁸⁾	56,675,000	80.96
	Ho Kian Hock	–	56,675,000 ⁽⁸⁾	56,675,000	80.96
	Ho Kian Cheong	1,755,000	–	1,755,000	2.51
	Tse See Fan Paul	50,000	–	50,000	0.07
Ocean Gardens Management Co Ltd	Ho Kian Guan	–	100,000 ⁽⁹⁾	100,000	100.00
	Ho Kian Hock	–	100,000 ⁽⁹⁾	100,000	100.00
Shun Cheong International Ltd	Ho Kian Guan	–	4,305 ⁽¹⁰⁾	4,305	43.05
	Ho Kian Hock	–	4,305 ⁽¹⁰⁾	4,305	43.05
	Ho Kian Cheong	195	–	195	1.95
	Kwok Chi Shun Arthur	–	5,500 ⁽¹¹⁾	5,500	55.00
KSF Enterprises Sdn Bhd – ordinary shares	Ho Kian Guan	–	9,010,000 ⁽¹²⁾	9,010,000	100.00
	Ho Kian Hock	–	9,010,000 ⁽¹²⁾	9,010,000	100.00
KSF Enterprises Sdn Bhd – preferred shares	Ho Kian Guan	–	24,000,000 ⁽¹³⁾	24,000,000	100.00
	Ho Kian Hock	–	24,000,000 ⁽¹³⁾	24,000,000	100.00
Chateau Ottawa Hotel Inc – common shares	Ho Kian Guan	–	4,950,000 ⁽¹⁴⁾	4,950,000	55.00
	Ho Kian Hock	–	4,950,000 ⁽¹⁴⁾	4,950,000	55.00
Chateau Ottawa Hotel Inc – preferred shares	Ho Kian Guan	–	1,485,000 ⁽¹⁵⁾	1,485,000	55.00
	Ho Kian Hock	–	1,485,000 ⁽¹⁵⁾	1,485,000	55.00

REPORT OF THE DIRECTORS (continued)

Notes:

- (1) This represents interests held by the relevant directors as beneficial owners.
- (2) This represents 100,909,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited, in which companies each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (3) This represents interests held by United Asia Enterprises Inc controlled by Dr Chan Yau Hing Robin by virtue of the fact that United Asia Enterprises Inc or its directors were accustomed to act in accordance with the directions of Dr Chan.
- (4) This represents 29,776,951 shares (91.6%) indirectly held by the Company and 2,633,823 shares (8.1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (5) This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (6) This represents US\$8,965,000 (55%) indirectly contributed by the Company and US\$4,198,880 (25.76%) contributed by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (7) This represents interests held by AKAA Project Management International Limited which was wholly owned by Kwok Chi Shun Arthur.
- (8) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by various companies in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (9) This represents 1 quota of Ptc99,000 (99%) indirectly held by the Company and 1 quota of Ptc1,000 (1%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (10) This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (11) This represents interests held by Larcfort Incorporated in which Kwok Chi Shun Arthur had a controlling interest.
- (12) This represents 2,252,500 ordinary shares (25%) directly held by the Company, 2,252,499 ordinary shares (25%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 4,505,001 ordinary shares (50%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (13) This represents 6,000,000 preferred shares (25%) directly held by the Company, 6,000,000 preferred shares (25%) held by Goodland Limited in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly and 12,000,000 preferred shares (50%) held by Keck Seng (Malaysia) Bhd in which each of Ho Kian Guan and Ho Kian Hock was a substantial shareholder and a director.
- (14) This represents 4,500,000 common shares (50%) indirectly held by the Company and 450,000 common shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.
- (15) This represents 1,350,000 preferred shares (50%) indirectly held by the Company and 135,000 preferred shares (5%) held by Allied Pacific Investments Inc in which each of Ho Kian Guan and Ho Kian Hock had 1/3 interest indirectly.

Save as mentioned above, at 31 December 2017, none of the directors of the Company or any of their associates had interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS (continued)

SUBSTANTIAL INTERESTS AND SHORT POSITIONS IN SHARES

At 31 December 2017, the interests and short positions of those persons (other than the directors) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions:

Name	Capacity in which shares were held	Number of ordinary shares held	% of total issued share capital of the Company
Ocean Inc. (Note 1, 2)	Interests of controlled corporations	197,556,320	58.1
Pad Inc (Note 1)	Interests of controlled corporations	96,646,960	28.4
Lapford Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4
Kansas Holdings Limited (Note 1)	Interests of controlled corporations	96,646,960	28.4
Kansas Holdings Limited (Note 2)	Beneficial owner	100,909,360	29.7
Goodland Limited (Note 1)	Beneficial owner	96,646,960	28.4

Notes:

- (1) Ocean Inc., Pad Inc, Lapford Limited and Kansas Holdings Limited had deemed interests in the same 96,646,960 shares beneficially held by Goodland Limited.
- (2) Ocean Inc. had deemed interests in the same 100,909,360 shares beneficially held by Kansas Holdings Limited.

Save as mentioned above, at 31 December 2017, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2017, there existed the following arrangements for an indefinite period:

- (1) Goodland Limited (“Goodland”) acts as the project manager of Golden Crown Development Limited for its Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development.
- (2) Goodland provides management services to Ocean Incorporation Ltd in return for a management fee.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

For the year ended 31 December 2017, certain subsidiaries of the Company had transactions with Goodland as set out in Note 27 to the financial statements.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

Apart from the foregoing and the management arrangements set out above, no transactions, arrangements or contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the company is currently in force and was in force throughout this year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Wuhan Riverside, is the Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("SAL").

Mr Ho Kian Guan is a Non-executive Director of SAL, a company whose shares are listed on the Hong Kong Stock Exchange and Mr Ho Chung Tao has been appointed as an alternate director to Mr Ho Kian Guan in place of Mr Ho Kian Hock with effect from 18 October 2016.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2017 are set out in Note 19, Note 22 and Note 27 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 123 of the annual report.

REPORT OF THE DIRECTORS (continued)

PROPERTIES

Particulars of the properties and property interests of the Group are shown on page 124 of the annual report.

PERSONNEL AND RETIREMENT SCHEMES

At 31 December 2017, the Group had approximately 1,997 employees. A policy of localising as many of the positions as possible is in place throughout the Group, subject to suitable and sufficient local executives and staff with relevant qualifications and experiences being available. Salary and remuneration are competitive and are based on varying conditions in the different countries in which the Company and its subsidiaries operate. The Group has defined contribution schemes in Hong Kong, Macau, the People's Republic of China, Vietnam, the United States, Canada and Japan.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Ho Kian Guan
Executive Chairman

Hong Kong, 23 March 2018

OTHER CORPORATE INFORMATION

FINANCIAL REVIEW

The Group's revenue was HK\$1,949.5 million for the year ended 31 December 2017; a slightly decrease of 0.3% compared to year 2016. Proceeds from sales of properties in Macau this year was HK\$24.8 million (2016: HK\$ Nil). Decrease in revenue was primarily attributable to the combined effects of decrease in revenue from hotel and club operations, and a mild reduction in rental income from properties held for sale in Macau. The Group's operating profit was HK\$390.0 million for the year ended 31 December 2017 as compared to HK\$414.4 million in 2016. The Group assessed the recoverable amount of the hotel property in New York and as a result the carrying amount of the hotel property was written down to its recoverable amount of HK\$1.2 billion. Accordingly, impairment loss of HK\$145.9 million was recognised as a separate line item in the Group's consolidated statement of profit or loss. Profit attributable to equity shareholders amounted to HK\$131.0 million (2016: HK\$225.3 million).

At 31 December 2017, the Group has total bank loan of HK\$1,493.3 million (2016: HK\$1,732.0 million) and deposits and cash of HK\$1,971.1 million (2016: HK\$1,942.5 million). Of the total bank borrowings, HK\$66.4 million (2016: HK\$1,706.8 million) are repayable within one year, HK\$1,426.9 million (2016: HK\$25.2 million) are repayable after one year but within five years.

The Group's bank borrowings are denominated in United States dollars, Canadian dollars and Vietnamese dong. Bank deposits and cash are mostly in United States dollars, Canadian dollars and Hong Kong dollars. The Group's bank borrowings are on floating rate. Taking into account of cash at bank and in hand and credit facilities available, the Group has sufficient working capital for its present requirements.

KEY PERFORMANCE INDICATORS ("KPIs")

The Group sets a number of KPIs to support the delivery of its strategies with its performance as below:

Operational KPIs:

Operation and investment	Country	Star rated	Cur.	2017		2016	
				Occupancy Rate	ARR	Occupancy Rate	ARR
Sheraton Saigon Hotel & Towers	Vietnam	5	USD	74%	157	70%	159
Caravelle Hotel	Vietnam	5	USD	69%	113	61%	122
Holiday Inn Wuhan Riverside	PRC	4	RMB	73%	410	72%	402
Sofitel New York	USA	5	USD	89%	359	89%	358
W San Francisco	USA	5	USD	87%	338	90%	343
Sheraton Ottawa Hotel	Canada	4	CAD	72%	191	78%	182
Delta Hotels by Marriott Toronto							
Airport & Conference Centre	Canada	4	CAD	61%	122	74%	103
Best Western Hotel Fino Osaka							
Shinsaibashi	Japan	3	YEN	91%	10,984	89%	12,578

- *Occupancy Rate (Total number of Rooms Nights booked relative to Total number of Available Rooms Nights for Guests over the year)*
- *Average Room Rate (Total Room Revenue divided by Total Room Nights Occupied)*

OTHER CORPORATE INFORMATION (continued)

Financial KPIs:

Strategy	KPIs	Calculation basis
To maintain a healthy liquidity ratio	Bank loan to Total assets ratio = 23% (2016: 26%)	Percentage of Total bank loans relative to the Total assets as at the respective year end
	Leverage ratio = 32% (2016: 36%)	Percentage of Total liabilities relative to the Total assets as at the respective year end
To maintain a healthy cash flow	Times interest covered by Profits = 5 (2016: 8)	Ratio of Profit for the year to Finance costs
	Times interest covered by Deposits and cash = 42 (2016: 49)	Ratio of Deposits and cash (including pledged deposits) to Finance costs

PLEDGE OF ASSETS

As at 31 December 2017, hotel properties including land, and certain properties held for sale with an aggregate value of HK\$2,634.5 million (2016: HK\$2,771.0 million) were pledged to banks to secure bank loans and banking facilities granted to the Group.

CONTINGENT LIABILITIES

At 31 December 2017, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (2016: HK\$8,252,000).

At 31 December 2017, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

PROFILES OF DIRECTORS

Mr HO Kian Guan, aged 72, is the Executive Chairman of the Company and director of various companies of the Group. He was appointed as a Director of the Company on 5 December 1979. Mr Ho is also the executive chairman and director of Keck Seng (Malaysia) Berhad (listed on the Bursa Malaysia Securities Berhad (the “BMSB”)) and serves on the board of Shangri-La Asia Limited (listed on The Hong Kong Stock Exchange). Mr Ho is also an Independent Director and the Chairman of the Board of Directors of Parkway Trust Management Limited, which is acting as Manager of Parkway Life Real Estate Investment Trust which its units are trading on Singapore Exchange Securities Trading Limited (“SGX-ST”). He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). He is the father of Mr Ho Chung Tao, brother of Mr Ho Kian Hock and Mr Ho Kian Cheong, and uncle of Mr Chan Lui Ming Ivan, Mr Ho Chung Kain and Mr Ho Chung Hui.

Mr HO Kian Hock, aged 70, is the Deputy Executive Chairman of the Company and director of various companies of the Group. He was appointed as a Director of the Company on 19 December 1979. Mr Ho is also the managing director of Keck Seng (Malaysia) Berhad (listed on the BMSB). He is also a director of Ocean Inc, Pad Inc, Lapford Limited, Goodland Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). Mr Ho resigned from the position of an alternate director of Shangri-La Asia Limited (Listed on The Hong Kong Stock Exchange) with effect from 18 October 2016 and a director of Ocean Place Joint Venture Company Limited and KSSF Enterprises Limited (being two of the Companies of the Group) on 1 February 2017 and 31 December 2017 respectively. He is the father of Mr Ho Chung Kain and Mr Ho Chung Hui, brother of Mr Ho Kian Guan and Mr Ho Kian Cheong, and uncle of Mr Chan Lui Ming Ivan and Mr Ho Chung Tao.

Mr TSE See Fan Paul, aged 63, is an Executive Director of the Company, a Remuneration Committee member and a Nomination Committee member of the Board and director/treasurer/secretary of various companies of the Group. He was appointed as a Director of the Company on 5 December 1979. Mr Tse is also a non-executive director of Banco Nacional Ultramarino, one of the two note-issuing banks of the Macau SAR, and member of the Chinese People’s Political Consultative Committee of Yunnan Province, China.

Mr CHAN Lui Ming Ivan, aged 48, is an Executive Director of the Company and director of various companies of the Group. He was appointed as a director of the Company on 1 July 2006. He is also a director of Keck Seng (Malaysia) Berhad (listed on the BMSB). Mr Chan holds a Bachelor of Business Administration and a Master of Science degree from the National University of Singapore. He is also a director of Ocean Inc, Lapford Limited and Kansas Holdings Limited (all being substantial shareholders of the Company). He is a nephew of Mr Ho Kian Guan, Mr Ho Kian Hock and Mr Ho Kian Cheong, and cousin of Mr Ho Chung Tao, Mr Ho Chung Kain and Mr Ho Chung Hui.

Ms YU Yuet Chu Evelyn, aged 62, is an Executive Director of the Company, a Remuneration Committee member of the Board and director/secretary of various companies of the Group. She joined the Company in 1994 to oversee the Group’s investments in China and was appointed as a director of the Company on 1 July 2006. Ms Yu resigned as a director of KSSF Enterprises Limited (being one of the Companies of the Group) on 31 December 2017. Ms Yu holds a Bachelor of Arts degree from Carleton University, Canada.

Mr HO Chung Tao, aged 43, is an Executive Director of the Company, a Nomination Committee member of the Board, and director of various Companies of the Group. He was appointed as a Director of the Company on 15 October 2008. Mr Ho has been appointed as an alternate director of Shangri-La Asia Limited (listed on the Hong Kong Exchange) with effect from 18 October 2016. Before joining the Group, Mr Ho worked for a major US investment bank based in Japan, focusing on real estate acquisitions, a venture capital firm in Japan and a securities firm in Singapore. Mr Ho holds a Bachelor of Science degree in Hotel Administration from Cornell University, USA. Mr Ho is the son of Mr Ho Kian Guan, nephew of Mr Ho Kian Hock and Mr Ho Kian Cheong, and cousin of Mr Chan Lui Ming Ivan, Mr Ho Chung Kain and Mr Ho Chung Hui.

PROFILES OF DIRECTORS (continued)

Mr HO Chung Hui, aged 41, is an Executive Director of the Company and director of various Companies of the Group. He was appointed as a Director of the Company on 15 October 2008, the Chairman of Ocean Place Joint Venture Company Limited (being one of the Companies of the Group) on 1 February 2017 and a director of KSSF Enterprises Limited (being one of the Companies of the Group) on 31 December 2017. Mr Ho joined the Group in August 2003 as a director of a subsidiary for the Group's hotel related investments in China and Vietnam. Before joining the Group, Mr Ho worked for a major US consulting firm on various practices of strategy, finance and business process reengineering and human capital in Singapore. Mr Ho holds a Bachelor of Science in Economics from the London School of Economics. He is a son of Mr Ho Kian Hock, brother of Mr Ho Chung Kain, nephew of Mr Ho Kian Guan and Mr Ho Kian Cheong, and cousin of Mr Chan Lui Ming Ivan and Mr Ho Chung Tao.

Mr HO Kian Cheong, aged 68, is a Non-executive Director of the Company. He was appointed as a Director of the Company on 5 December 1979 and was re-designated as Non-executive Director on 17 April 2003. He is also a non-executive director of Keck Seng (Malaysia) Berhad (listed on the BMSB). He is the brother of Mr Ho Kian Guan and Mr Ho Kian Hock and uncle of Mr Chan Lui Ming Ivan, Mr Ho Chung Tao, Mr Ho Chung Kain and Mr Ho Chung Hui.

Dr CHAN Yau Hing Robin, *GBS, LLD, JP*, aged 85, is an Independent Non-executive Director of the Company since 8 September 1988. He is also the chairman of the Audit Committee, a Remuneration Committee member and a Nomination Committee member of the Board. Dr Chan is the chairman of Asia Financial Holdings Limited and an independent non-executive director of K. Wah International Holdings Limited (all listed on The Hong Kong Stock Exchange). He is also a director of and an adviser to numerous other companies with over 40 years' experience in banking business. Dr Chan was awarded the Knight Commander (Second Class) of the Most Noble Order of the Crown of Thailand by His Majesty, the King of Thailand and the Gold Bauhinia Star by the Government of the HKSAR in 2000. Dr Chan was conferred with the Honorary University Fellowships by Hong Kong Baptist University and the University of Hong Kong in 2010 and 2011 respectively, and the Honorary Fellowship by The Hong Kong University of Science and Technology in 2013. He is the Life Honorary Chairman of The Chinese General Chamber of Commerce, Hong Kong and the Vice Chairman of All-China Federation of Returned Overseas Chinese. He is also the Founding Chairman and President of the Hong Kong Federation of Overseas Chinese Associations Limited, the Honorary Chairman of both the China Federation of Overseas Chinese Entrepreneurs and Federation of HK Chiu Chow Community Organizations Limited, and an adviser of the China Overseas Chinese Entrepreneurs Association. Dr Chan had been a Deputy to The National People's Congress of the People's Republic of China from March 1988 to February 2008.

Mr KWOK Chi Shun Arthur, aged 72, is an Independent Non-executive Director of the Company since 3 January 1995. He is also the chairman of the Nomination Committee, an Audit Committee member and a Remuneration Committee member of the Board. He is a professional architect with extensive architectural, town planning and interior design experience and has wide business interests in property development, merchandise retailing and wholesale.

Ms WANG Poey Foon Angela, aged 60, is an Independent Non-executive Director of the Company since 28 September 2004. She is also the chairman of the Remuneration Committee, an Audit Committee member and a Nomination Committee member of the Board. Ms Wang holds an LLB (Hons) degree from the National University of Singapore, and is an Advocate and Solicitor (Singapore), Solicitor (Hong Kong and United Kingdom). She has practised with major law firms in Singapore, Australia and Hong Kong and is currently a senior partner of a firm of solicitors in Hong Kong.

PROFILES OF DIRECTORS (continued)

Mr YU Hon To David, aged 69, is an Independent Non-executive Director of the Company. He was appointed as a Director of the Company on 1 April 2013. He is also an Audit Committee member, a Remuneration Committee member and a Nomination Committee member of the Board. He is an associate member of The Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a fellow member of Institute of Chartered Accountants in England and Wales. Mr Yu has over 30 years’ experience in the fields of auditing, corporate finance (including IPO advisory, mergers and acquisitions and financial restructuring), financial investigation and corporate management and has been appointed as independent non-executive directors of China Renewable Energy Investment Limited, China Resources Gas Group Limited, Haier Electronics Group Company Limited, Media Chinese International Limited, One Media Group Limited, Playmates Holdings Limited and New Century Asset Management Limited, all listed on The Stock Exchange of Hong Kong Limited. Mr. Yu resigned from the position of independent non-executive director of Synergis Holdings Limited with effect from 1 January 2018, Bracell Limited with effect from 1 November 2016 and Great China Holdings Limited with effect from 13 July 2016, all of which are listed on The Stock Exchange of Hong Kong Limited.

Mr HO Chung Kain, aged 43, is an Alternate Director to Mr Ho Chung Hui and director of various Companies of the Group. He was appointed as a director of the Company on 15 October 2008 and a director of KSSF Enterprises Limited (being one of the Companies of the Group) on 31 December 2017. Mr Ho joined the Group in 2001 as a director of a subsidiary. He is also an alternate director of Keck Seng (Malaysia) Berhad (listed on the BMSB). He has experience in property marketing and development activities with major Japanese and Singapore real estate companies based in Singapore, and is responsible for property development, property management, construction and hotel related activities in Malaysia and Singapore. Mr Ho holds a Bachelor of Business Administration degree from Murdoch University in Perth, Australia. He is a son of Mr Ho Kian Hock, brother of Mr Ho Chung Hui, nephew of Mr Ho Kian Guan and Mr Ho Kian Cheong, and cousin of Mr Chan Lui Ming Ivan and Mr Ho Chung Tao.

Businesses of the Group are under the direct responsibilities of the executive directors who are regarded as members of the Group’s senior management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) of the Company has committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company’s corporate governance practices are based on the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The Company has applied with the principles set out in the CG Code for the year ended 31 December 2017, contained in Appendix 14 of the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2017, the Company has complied with most of the code provisions as set out in the CG Code, save and except for deviations as listed below:–

1. Code Provision A.2.1, as the role of chairman and chief executive officer of the Company is not segregated;
2. Code Provision A.4.1, as the non-executive directors are not appointed for a specific term;
3. Code Provision D.1.2, as the Company did not formalise functions reserved to the board and those delegated to management and did not conduct review periodically;
4. Code Provision D.1.3, as the Company did not disclose the respective responsibilities, accountabilities and contributions of the board and management; and
5. Code Provision D.1.4, as the Company did not have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

The Board of the Company comprises the following Directors:

Executive Directors:

HO Kian Guan – *Executive Chairman*

HO Kian Hock – *Deputy Executive Chairman*

TSE See Fan Paul

CHAN Lui Ming Ivan

YU Yuet Chu Evelyn

HO Chung Tao

HO Chung Hui

HO Chung Kain (Alternate to HO Chung Hui)

CORPORATE GOVERNANCE REPORT (continued)

Non-executive Director:

HO Kian Cheong

Independent Non-executive Directors:

CHAN Yau Hing Robin

KWOK Chi Shun Arthur

WANG Poey Foon Angela

YU Hon To David

The Board currently comprises 12 members, consisting of 7 Executive Directors (having 1 Alternate Director), 1 Non-executive Director and 4 Independent Non-executive Directors. The biographical information of the Directors are set out in the section headed “Profiles of Directors” on pages 27 to 29 of the annual report for the year ended 31 December 2017.

There is no relationship between members of the Board other than that Mr HO Kian Guan is the father of Mr HO Chung Tao, Mr HO Kian Hock is the father of Messrs HO Chung Kain and HO Chung Hui while Messrs HO Kian Guan, HO Kian Hock and HO Kian Cheong are brothers who are also uncles of Mr CHAN Lui Ming Ivan.

Executive Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

The Company had not appointed a Chief Executive Officer, since day-to-day operations of the Group were undertaken by the management teams in the respective geographical locations under the supervision of the Executive Directors. In respect of the management of the Board, the role was undertaken by Mr HO Kian Guan, Executive Chairman of the Company. The Board is of the view that this structure has served the Company well in past years and does not impair the balance of responsibility between the Board and the management of the business.

Non-executive Directors

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term. Although the Non-executive Directors of the Company were not appointed for a specific term, all Directors are subject to retirement by rotation not less than once every three years. This means that the specific term of appointment of a Director will not exceed three years.

Independent Non-executive Directors

During the year ended 31 December 2017, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Independent Non-executive Directors also serve the important functions of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-executive Director to be independent in character and judgment and that they all meet the specific independence criteria as required under the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-executive Directors are explicitly identified in all corporate communications.

CORPORATE GOVERNANCE REPORT (continued)

Responsibilities, Accountabilities and Contributions of the Board and Management

The principal function of the Board is on setting the overall strategic direction and investment focus of the Group. The Board also monitors the financial performance and the internal controls of the Group's business activities. Day-to-day management of the Group's business is delegated to the management and the responsibilities and powers so delegated are periodically reviewed to ensure that they remain appropriate.

With wide respective professional experience in financial, architectural, legal and accounting fields, the Independent Non-executive Directors bring and contribute to the Board a balance of skills, independent judgment and insight into the setting of strategic direction, investment focus, performance evaluation, risk management of the Group through attendance at meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and general discussions with the Executive Directors.

All Directors are updated on governance and regulatory matters. All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. Directors can obtain independent advice at the expense of the Company for the furtherance of their duties. The Company has also arranged appropriate Director and officer liability insurance cover in respect of legal actions against its Directors.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board meets to review the overall strategic direction of the Group, to monitor the operations and to deal with any corporate and policy matters in respect of which its attention is required. The Executive Directors are responsible for drawing up and approving the agenda for each Board meeting. Notices of at least 14 days have been given to all Directors for all Board meetings. Directors can include matters for discussion in the agenda if necessary. Agenda and board papers in respect of Board meetings are sent out in full to all Directors at least 3 business days prior to the meetings. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of the Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information in a timely manner, enabling the Board to make informed decisions on matters under discussion.

Pursuant to Code Provisions D.1.2, D.1.3 and D.1.4, the Company should formalise functions reserved to the board and those delegated to management and should conduct review periodically. The Company should disclose the respective responsibilities, accountabilities and contributions of the board and management. The Company should also have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As the Executive Directors have been closely involved in the day-to-day management to the Company and its major subsidiaries, the Company considers that it is not necessary at this time to have a distinction between the respective responsibilities, accountabilities and contributions of the board and management. The Company is now planning to have formal letters of appointment for Directors.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

CORPORATE GOVERNANCE REPORT (continued)

Since 2004, new Directors have been given, on appointment, an orientation package, including information on the Group's company structure, details of major investments, the Company's Articles of Association, and other relevant information to familiarise the new Directors with the corporate affairs and operations of the Group. They will receive, from time to time, formal, comprehensive and tailored induction to ensure full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2017, the training records of the Directors of the Company are as follows:-

Directors	Attending seminar and/or conferences and/or forums	Reading journals, updates, articles and/or materials, etc
<i>Executive Directors</i>		
HO Kian Guan	✓	✓
HO Kian Hock	✓	✓
TSE See Fan Paul	✓	✓
CHAN Lui Ming Ivan	✓	✓
YU Yuet Chu Evelyn	✓	✓
HO Chung Tao	✓	✓
HO Chung Hui	✓	✓
HO Chung Kain (Alternate to HO Chung Hui)	✓	✓
<i>Non-executive Director</i>		
HO Kian Cheong	✓	✓
<i>Independent Non-executive Directors</i>		
CHAN Yau Hing Robin	✓	✓
KWOK Chi Shun Arthur	✓	✓
WANG Poey Foon Angela	✓	✓
YU Hon To David	✓	✓

Under Code Provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and have regular updates on the changes of Listing Rules and industry sectors as continuous professional development. In addition, relevant reading materials including directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

CORPORATE GOVERNANCE REPORT (continued)

The majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out below.

Audit Committee

The Audit Committee of the Company was established in 1999. Its current members are:

CHAN Yau Hing Robin (*Chairman of the Committee*)

KWOK Chi Shun Arthur

WANG Poey Foon Angela

YU Hon To David

All the members are Independent Non-executive Directors. The Board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering legal, business, accounting and financial management disciplines on the Committee. The composition and the membership of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference covering the authority and duties of the Audit Committee conform to the provisions of the Code.

The Audit Committee deliberates and meets to review the reporting of financial and other relevant information to shareholders, the scheme of internal controls and risk management, the effectiveness of the internal audit function and the effectiveness and objectivity of the audit process. The Audit Committee also provides one of the important links between the Company and the Company's external auditors in matters within the Committee's terms of reference, and keep in view the independence and objectivity of the external auditors.

The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group, discussed financial reporting matters including a review of the financial statements for the year ended 31 December 2017 and review the effectiveness of the internal audit function.

During the year, two Audit Committee meetings were held. The Audit Committee met the Company's external auditors twice during 2017. The Audit Committee has also met twice with the representative of the internal audit team of the Company established in late 2016, which conducted independent reviews of the Group's internal control framework and systems.

Remuneration Committee

The Remuneration Committee was established in 2005. Its current members are:

WANG Poey Foon Angela (*Chairman of the Committee*)

CHAN Yau Hing Robin

KWOK Chi Shun Arthur

YU Hon To David

TSE See Fan Paul

YU Yuet Chu Evelyn

CORPORATE GOVERNANCE REPORT (continued)

Membership of the Remuneration Committee is appointed by the Board. The majority of the members are Independent Non-executive Directors. The principal duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of service contracts and remuneration packages of the Executive Directors, Non-executive Directors and senior management. The Remuneration Committee review and make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management. The Remuneration Committee ensures that no Director or any of his/her associate is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee conform to the provisions of the Code.

In 2017, the Remuneration Committee held two meetings, during which the committee reviewed and discussed matters related to the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters.

Details of the remuneration of each Director and senior management for the year ended 31 December 2017 are set out in note 7 to the Financial Statements contained in this Annual Report.

Nomination Committee

The Nomination Committee was established in 2012. Its current members are:

KWOK Chi Shun Arthur (*Chairman of the Committee*)

CHAN Yau Hing Robin

WANG Poey Foon Angela

YU Hon To David

TSE See Fan Paul

HO Chung Tao

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of Independent Non-executive Directors. The terms of reference of the Nomination Committee conform to the provisions of the Code.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Company has already adopted a Board diversity policy and the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

CORPORATE GOVERNANCE REPORT (continued)

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2017 is set out in the table below:

Name of Director	Attendance/Number of Meetings				Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee	
<i>Executive Directors</i>					
HO Kian Guan	4/4	-	-	-	1/1
HO Kian Hock	4/4	-	-	-	1/1
TSE See Fan Paul	4/4	2/2	2/2	2/2*	1/1
CHAN Lui Ming Ivan	4/4	-	-	-	1/1
YU Yuet Chu Evelyn	4/4	2/2*	2/2	2/2*	1/1
HO Chung Tao	4/4	2/2	2/2*	2/2*	1/1
HO Chung Hui	4/4	-	-	-	1/1
HO Chung Kain (Alternate to HO Chung Hui)	0/4	-	-	-	-
<i>Non-executive Director</i>					
HO Kian Cheong	4/4	-	-	-	1/1
<i>Independent Non-executive Directors</i>					
CHAN Yau Hing Robin	4/4	2/2	2/2	2/2	1/1
KWOK Chi Shun Arthur	3/4	2/2	2/2	2/2	0/1
WANG Poey Foon Angela	4/4	2/2	2/2	2/2	1/1
YU Hon To David	4/4	2/2	2/2	2/2	1/1

* Director is not the member of the Committee, only acts as the attendee of the Committee Meeting.

Apart from regular Board meetings, the Chairman also held meetings with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year.

CORPORATE GOVERNANCE REPORT (continued)

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

We have adopted a structured approach to risk management and internal control that incorporated the following:

1. Identification and assessment of the most significant risks faced by the Group in achieving its strategic and operational objectives.
2. Measurement, mitigation, control and assurance activities for the identified risks.
3. Inclusion of risk management and internal control as a regular boardroom agenda.
4. Senior management accountability.
5. Ongoing monitoring and reporting of the above activities to the Board/Audit Committee for formal evaluation.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

An internal audit team for the Group has been established in late 2016 to conduct independent reviews on the Group's financial & operational controls, compliance to various relevant laws and regulations and risk management.

Since its establishment, the internal audit team had developed a scope of works that cover internal control and risk management of the Group's operations. The team had entered into dialogue with the Audit Committee on the scope of internal audit and risk management to ensure all processes are more transparent.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions including hotel operations, sales and leasing of properties, financial reporting, human resources and information technology.

The Group's businesses, results of operations, financial conditions and prospects are subject to risks and uncertainties, which may or may not be controllable by the Group. The following are six top principal risks and uncertainties identified by the Group and individual major subsidiaries. There may be other risks and uncertainties which are not identified for the time being or turn out to be material in the future.

CORPORATE GOVERNANCE REPORT (continued)

I. Risks identified by the Group:

1. Market Risk

- The Group's core businesses are hotel businesses and properties. The Group monitors its competitors closely and obtains accurate information on the market.
- The luxury lodging markets that we are in are highly competitive. A lot of our hotels' competitors offer attractive room rates and facilities for guests. In addition, there are new hotels added to the market on a continuous basis which provide increasing competitions.
- Since the middle of 2016, the Macau property market had been on the road to recovery. Rental value for residential properties is expected to continue to be on an increasing trend in 2018. Therefore, we do not foresee significant market risk in the Macau residential market in the near future. However, our properties may face a challenge of increasing new housing supplies in Taipa. As such, it may be difficult for us to increase the rental value.

2. Corporate and Management Risk

- Quality hotel managers and associates are on big demand in the ever-competitive lodging market. There is a risk that our hotels will lose experienced managers and associates if they are approached and offered better salary & benefits by our competitor hotels.
- The average age of staff in Macau operation is getting older, and it may have difficulties to replace the retiring staffs as many gaming and tourism employers are looking for the same group of candidates in Macau.

3. Economic Risk

- The Group's core businesses are susceptible to, amongst others, elements that impact business activities, corporate spending, visitor arrivals and demand for properties. The supply and demand equilibrium of the property markets, the change of government policies, social conditions, global, regional and local economic environments, all have direct or indirect impact on the Group's core businesses.
- The global economy is picking up from the economy downturn in the past years. However, recent or future changes in government administration for several major countries (such as United States and Japan) had provided uncertainties for future growth in the lodging and tourism sectors.
- The Macau economy and property market had been on an upward trend since quarter three of 2016 and it is expected this trend will continue in 2018. As Macau's property values are always in co-relation to gaming revenue, the property prices and rental rates might be affected by economic conditions not only in Macau, but also in China.

CORPORATE GOVERNANCE REPORT (continued)

4. Property Risk

- The Group invest in hotels worldwide. These hotels require regular renovation and maintenance in order to maintain their quality and retain their customers. Equipment breakdown and natural disasters may have adverse impacts on our hotels' operations.
- Macau is a city that is always affected by typhoons. Our residential properties in Macau may be subject to damages due to typhoons. Hato, a super typhoon, had created some damages on our residential properties in 2017.

5. Political Risk

- Terrorism and unstable relationship between countries may impose negative impacts on the tourism industry and travelers' willingness to travel.
- There are a number of uncertainties on future administrative policies on the tourism industry, especially for the Canada, China and United States.

6. Currency Risk

- The Group's core businesses and investments are mostly overseas. The Group is exposed to currency risk primarily through transactions, structure of assets and liabilities that are denominated in currencies, e.g. Canadian dollars, Vietnamese dong, Japanese Yen and Renminbi, other than the functional currency of the holding company. Any exchange rate fluctuations would adversely affect results of operations and/or profit or loss as well as capital expenditure projects of the Group.
- The currency movements of CAD, RMB, JPY and VND against USD in 2017 were mostly stable.
- The US dollar is expected to be further depreciated in 2018, and how fast Federal Bank rate will increase for the rest of 2018 is still uncertain. Given USD's anticipated depreciation, CAD, RMB, JPY and VND are expected to be appreciated in 2018 which may bring mixed effects on the lodging industry.

CORPORATE GOVERNANCE REPORT (continued)

II. Risks identified by individual subsidiary in a company level:

Subsidiary	Market Risk	Corporate and Management Risk	Economic Risk	Property Risk	Political Risk	Currency Risk
Macau	New supply of buildings in the market.	<ol style="list-style-type: none"> 1) Difficulty of labor recruitment. 2) High turnover and average age of frontline staff is getting older. 	Macau's property values are always in co-relation to gaming revenue, the property prices and rental rates might be affected by economic conditions not only in Macau, but also in China.	Hato, a super typhoon, had created some damages on our residential properties in 2017.	None	None
SSHT	Competition from existing and new hotels.	Staff of the hotel may be approached for employment opportunity from competitor hotels.	GDP growth rate is expected to be stable as 6.5% for 2018.	<ol style="list-style-type: none"> 1) Some machines and equipment exceeded their useful life. 2) The most common comments from guests is SHTT feels too old. 	None	VND is well managed
HIRW	Due to the brand policy, the hotel has less flexibility on offering room rate to Online Travel Agent than other competitors.	Staff of the hotel may be approached for employment opportunity from competitor hotels.	Wuhan GDP slightly increase.	<ol style="list-style-type: none"> 1) Some machines and equipment exceeded their useful life. 2) The most common comments from guests is HIRW feels too old. 	Anti-corruption by the China Central Government remain strengthen. The hotel expects the anti-corruption practices will continue to be tighten up.	RMB is expected to be appreciated in 2018. This may affect the willingness of travelers to China.
BWO	New supply of hotels and private lodgings*.	<ol style="list-style-type: none"> 1) Staff turnover. 2) Lack of communications with stakeholders and employees. 	Slow GDP growth.	<ol style="list-style-type: none"> 1) Possible destruction of property in case of earthquake and fire. 2) Some machines and equipment have been in used since hotel opening. 	None	YEN is expected to be appreciated in 2018. This may affect the willingness of travelers to Japan.

CORPORATE GOVERNANCE REPORT (continued)

Subsidiary	Market Risk	Corporate and Management Risk	Economic Risk	Property Risk	Political Risk	Currency Risk
SOH	New hotels will be opened in early 2018 and they have better locations than the hotel.	Staff of the hotel may be approached for employment opportunity from competitor hotels.	GDP growth rate is expected to be 2.3% in 2018 and slightly decrease to 2% in 2019.	1) Some machines and equipment exceeded their useful life. 2) The most common comments from guests is SOH feels too old.	Canadian government has strict per diems that must be followed when travelling on business or meetings. This may affect the profitability of the hotel.	CAD is expected to be appreciated in 2018. This may affect the willingness of travelers to Canada.
SNY	New supply of hotels and private lodgings*.	None	Changes in government administration had provided uncertainties for future growth in the lodging and tourism sectors.	Some machines and equipment have been in used since hotel opening.	1) Terrorism and unstable relationship between countries. 2) Uncertainties on future administrative policies on the tourism industry.	USD had been depreciated in 2017 and is expected to be further depreciated in 2018. This may lead to higher operation cost for imported products.
WSF	1) New supply of hotels and private lodgings*. 2) The number of business traveler is negatively impacted due to the renovation of convention centre is in progress.	1) Difficulty of labor recruitment. 2) Staff of the hotel may be approached for employment opportunity from competitor hotels.	Changes in government administration had provided uncertainties for future growth in the lodging and tourism sectors.	Guest rooms have not been fully renovated since opening and continue to experience wear and tear.	1) Terrorism and unstable relationship between countries. 2) Uncertainties on future administrative policies on the tourism industry.	USD had been depreciated in 2017 and is expected to be further depreciated in 2018. This may lead to higher operation cost for imported products.

* There is competition from private lodging (e.g. Airbnb) in the local market. However, such risk is considered as non-significant in the Group level.

All divisions or departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division or department.

CORPORATE GOVERNANCE REPORT (continued)

Division or Department heads of our business units assessed the likelihood of risk occurrence, provide treatment plans, monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. Our management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2017.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. Internal Audit work covered key issues in relation to the accounting practices and all material controls. Internal Audit findings and recommendations for improvement are reported to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

On the basis of the review, the Board and the Audit Committee are satisfied as to the effectiveness of the Group's internal control, and concluded that:

1. the Company during the year has complied with the CG Code on internal control;
2. the Group has a framework of prudent and effective controls to identify, evaluate and manage the risks;
3. the Group has internal control and accounting systems which are efficient and adequate;
4. the Group has ongoing monitoring processes which identified, evaluated and managed significant risks that may influence its major business operations; and
5. material transactions are executed with management's authorisation.

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

In preparing the financial statements for the year ended 31 December 2017, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards, made judgments and estimates which are fair and reasonable, and have prepared the financial statements on the going concern basis.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 45 to 50.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2017 are set out below.

	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration		
– Audit Services	3,448	3,306
– Interim Review	831	777
– Tax Advisory and other services	739	928
	5,018	5,011

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening A General Meeting/Right To Call A General Meeting

General meetings may be convened by the Board on requisition of shareholders of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (the "Requisitionist(s)") (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the Requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

CORPORATE GOVERNANCE REPORT (continued)

Putting Forward Proposals At General Meeting/Right To Circulate Resolution At Annual General Meeting

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for annual general meeting.

Putting Forward Enquiries To The Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company at the Company's address in Hong Kong or by email.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 2902, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Email: enquiry@keckseng.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, all other members of the Board including Non-executive Directors, Independent Non-executive Directors, and the chairmen of all Board committees (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

The Shareholders' Communication Policy was adopted at the Board Meeting held on 9 December 2016 in compliance with Code Provision E.1.4 of the CG Code.

During the year under review, the Company has not made any changes to Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year 2017 and up to and including the date of this Annual Report as required by the Listing Rules.

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Keck Seng Investments (Hong Kong) Limited and its subsidiaries (together “the Group”) set out on pages 51 to 122, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

Valuation of investment properties

Refer to note 11 to the consolidated financial statements and the accounting policy at note 1(h).

The Key Audit Matter

The Group holds a portfolio of investment properties (primarily office and commercial premises) located in Macau which are stated at their fair values which totalled HK\$803 million and accounted for 12% of the Group's total assets as at 31 December 2017.

The fair values of the investment properties as at 31 December 2017 were assessed by the board of directors based on independent valuations prepared by an independent firm of professional surveyors with appropriate qualifications and experience in the location and category of property being valued, using the income capitalisation approach which takes into account the rental income of each property and the appropriate market capitalisation rate. The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss represented 3% of the Group's profit before taxation for the year ended 31 December 2017.

We identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and because the valuation of investment properties can be inherently subjective and requires the exercise of significant judgement and estimation, in particular in determining the appropriate valuation methodology, capitalisation rates and market rents, which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- obtaining and inspecting the valuation reports prepared by the independent professional surveyors engaged by the Group and on which the directors' assessment of the valuation of investment properties was based;
- assessing the qualifications of the independent professional surveyors and their experience in the properties being valued and considering their objectivity and independence of management;
- discussing with the independent professional surveyors their valuation methodology in a separate private session and challenging the key estimates and assumptions adopted in the valuations, including capitalisation rates and market rents, by comparing the assumptions made in prior years with the current year's assumptions and current publicly available data, with the assistance of our internal property valuation specialists, and considering whether there was any indication of management bias in the selection of the assumptions; and
- comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the independent professional surveyors with underlying contracts and related documentation, on a sample basis.

INDEPENDENT AUDITOR'S REPORT (continued)

Recoverability of the carrying value of hotel properties owned by the Group

Refer to note 11 to the consolidated financial statements and the accounting policy at notes 1(i)(i) and 1(k)(ii).

The Key Audit Matter

The Group holds a number of hotel properties located in major cities in Asia Pacific and North America. These hotel properties, which are stated at cost less accumulated depreciation and impairment, are significant to the Group in terms of their values.

At the year end management assesses if there are any indicators of potential impairment of hotel properties. Where indicators of potential impairment are identified, management assesses the recoverability of the carrying value of hotel properties based on the present value of estimated future cash flows arising from the continued use of the related assets. The assessment of the recoverable amounts of hotel properties is inherently subjective as it involves significant management judgement and estimation, particularly given the diverse locations of the hotel properties and the particular economic and political circumstances at each location which can affect, inter alia, occupancy rates, revenue per available room and future growth rates.

As a result of the impairment assessment carried out by management, the Group recognised an impairment loss of HK\$146 million during the year ended 31 December 2017 on one of its hotel properties, namely the Sofitel New York.

We identified assessing the recoverability of the carrying value of hotel properties owned by the Group as a key audit matter because of its significance to the consolidated financial statements and because the determination of whether there is objective evidence of impairment involves significant management judgment and could be subject to potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of the carrying value of hotel properties owned by the Group included the following:

- discussing triggering events and/or indicators of potential impairment of hotel properties with management and inspecting the operating results and cash flow forecasts of the respective hotels;
- where such triggering events or indicators of potential impairment were determined to exist, performing the following procedures in respect of each individual hotel property:
 - discussing with Group management and assessing the valuation methodologies adopted in the preparation of the impairment assessment with reference to the requirements of the prevailing accounting standards;
 - challenging the key estimates and assumptions adopted in the impairment assessment, including occupancy rates, revenue per available room and future growth rates, by comparing these with market available data and the current year's operating results;
 - assessing the discount rate applied in the impairment assessment by comparison with those of similar companies in the same industry and external market data.
- performing sensitivity analyses by making adjustments to the key estimates and assumptions adopted in the impairment assessments to assess risk of possible management bias in the selection of these assumptions; and
- performing a retrospective review by comparing the forecast operating results made in the prior year's impairment assessments with the current year's operating results to assess the historical accuracy of management's forecasting process.

INDEPENDENT AUDITOR'S REPORT (continued)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Yuk Fan.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	3	1,949,497	1,955,211
Cost of sales		(198,031)	(185,597)
		1,751,466	1,769,614
Other revenue	4(a)	41,921	29,383
Other net (losses)/gains	4(b)	(4,251)	20,525
Direct costs and operating expenses		(763,679)	(751,250)
Marketing and selling expenses		(42,375)	(87,216)
Depreciation	11(a)	(142,925)	(134,877)
Administrative and other operating expenses		(450,153)	(431,780)
Operating profit		390,004	414,399
Net increase in fair value of investment properties	11(a)	5,500	19,000
Impairment loss on a hotel property	11(b)	(145,872)	–
Finance costs	5(a)	(47,395)	(39,569)
Share of profits less losses of associates		11,115	18,912
Profit before taxation	5	213,352	412,742
Income tax	6(a)	12,729	(102,665)
Profit for the year		226,081	310,077
Attributable to:			
Equity shareholders of the Company		131,005	225,345
Non-controlling interests		95,076	84,732
Profit for the year		226,081	310,077
Earnings per share, basic and diluted (cents)	9	38.5	66.2

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

The notes on pages 57 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
Profit for the year	226,081	310,077
Other comprehensive income for the year		
<i>Items that may be reclassified subsequently to profit or loss (net of tax):</i>		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries and associates	28,188	(16,221)
Available-for-sale securities:		
– changes in fair value recognised during the year	613	13
Other comprehensive income for the year	28,801	(16,208)
Total comprehensive income for the year	254,882	293,869
Attributable to:		
Equity shareholders of the Company	150,546	216,242
Non-controlling interests	104,336	77,627
Total comprehensive income for the year	254,882	293,869

There is no tax effect relating to the above components of other comprehensive income.

The notes on pages 57 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investment properties		802,500	797,000
Property, plant and equipment		2,353,861	2,512,343
Land		836,515	827,428
	11	3,992,876	4,136,771
Interest in associates	13	128,409	145,817
Derivative financial assets		5,351	6,501
Available-for-sale securities	14	4,345	3,732
Deferred tax assets	23(b)	8,258	6,119
		4,139,239	4,298,940
Current assets			
Trading securities	15	9,027	9,609
Properties held for sale	16	280,250	280,658
Inventories		6,046	5,911
Trade and other receivables	17	82,462	95,289
Derivative financial assets		–	26,388
Deposits and cash	18(a)	1,971,104	1,942,549
Taxation recoverable	23(a)	7,170	–
		2,356,059	2,360,404
Current liabilities			
Bank loans	19(a)	66,355	1,706,837
Trade and other payables	20	370,113	336,591
Loan from an associate	13	464	464
Loans from non-controlling shareholders	22	30,981	30,774
Taxation payable	23(a)	16,964	19,500
		484,877	2,094,166
Net current assets		1,871,182	266,238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Total assets less current liabilities		6,010,421	4,565,178
Non-current liabilities			
Bank loans	19(a)	1,426,912	25,199
Deferred revenue	21	6,177	6,557
Loans from non-controlling shareholders	22	78,986	80,858
Deferred tax liabilities	23(b)	109,268	182,410
		1,621,343	295,024
NET ASSETS		4,389,078	4,270,154
Capital and reserves			
Share capital	24	498,305	498,305
Reserves		3,212,202	3,112,686
Total equity attributable to equity shareholders of the Company		3,710,507	3,610,991
Non-controlling interests		678,571	659,163
TOTAL EQUITY		4,389,078	4,270,154

Approved and authorised for issue by the board of directors on 23 March 2018.

Ho Kian Guan
Executive Chairman

Tse See Fan Paul
Executive Director

The notes on pages 57 to 122 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity shareholders of the Company						Non-controlling interests	Total
	Share capital	Legal reserve	Exchange reserve	Fair value reserve	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	498,305	12,758	1,928	3,141	3,094,859	3,610,991	659,163	4,270,154
Changes in equity for 2017:								
Profit for the year	-	-	-	-	131,005	131,005	95,076	226,081
Other comprehensive income	-	-	18,928	613	-	19,541	9,260	28,801
Total comprehensive income for the year	-	-	18,928	613	131,005	150,546	104,336	254,882
Dividends approved in respect of the previous year (note 24(b))	-	-	-	-	(40,824)	(40,824)	-	(40,824)
Dividends declared in respect of the current year (note 24(b))	-	-	-	-	(10,206)	(10,206)	-	(10,206)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(84,928)	(84,928)
At 31 December 2017	498,305	12,758	20,856	3,754	3,174,834	3,710,507	678,571	4,389,078
At 1 January 2016	498,305	12,758	11,044	3,128	2,920,544	3,445,779	659,661	4,105,440
Changes in equity for 2016:								
Profit for the year	-	-	-	-	225,345	225,345	84,732	310,077
Other comprehensive income	-	-	(9,116)	13	-	(9,103)	(7,105)	(16,208)
Total comprehensive income for the year	-	-	(9,116)	13	225,345	216,242	77,627	293,869
Dividends approved in respect of the previous year (note 24(b))	-	-	-	-	(40,824)	(40,824)	-	(40,824)
Dividends declared in respect of the current year (note 24(b))	-	-	-	-	(10,206)	(10,206)	-	(10,206)
Dividends paid by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	(78,125)	(78,125)
At 31 December 2016	498,305	12,758	1,928	3,141	3,094,859	3,610,991	659,163	4,270,154

The notes on pages 57 to 122 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Operating activities			
Cash generated from operations	18(b)	543,843	513,105
Overseas tax paid		(71,997)	(69,847)
Net cash generated from operating activities		471,846	443,258
Investing activities			
Payment for the purchase of property, plant and equipment		(97,161)	(100,145)
Proceeds from sale of property, plant and equipment		1,890	486
Interest received		26,774	18,750
Decrease in pledged deposits		–	38,119
Decrease in bank deposits with maturity more than three months		13,370	1,506
Dividends received from available-for-sale and trading securities		277	303
Dividends received from associates		39,038	22,785
Net cash used in investing activities		(15,812)	(18,196)
Financing activities			
Proceeds from new bank loans	18(c)	3,062	–
Repayment of bank loans	18(c)	(256,776)	(102,141)
Repayment of loans from non-controlling shareholders	18(c)	(15,624)	–
Interest paid	18(c)	(37,420)	(34,715)
Dividends paid		(51,030)	(51,030)
Dividends paid to non-controlling shareholders		(84,928)	(78,125)
Net cash used in financing activities		(442,716)	(266,011)
Net increase in cash and cash equivalents		13,318	159,051
Cash and cash equivalents at 1 January		1,914,759	1,761,410
Effect of foreign exchange rate changes		28,607	(5,702)
Cash and cash equivalents at 31 December		1,956,684	1,914,759
Analysis of the balances of cash and cash equivalents at 31 December			
Deposits and cash	18	1,971,104	1,942,549
Less: Bank deposits with maturity more than three months		(14,420)	(27,790)
		1,956,684	1,914,759

The notes on pages 57 to 122 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments classified as available-for-sale securities and trading securities;
- derivative financial instruments; and
- investment properties.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 28.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(n) or (o) depending on the nature of the liabilities.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 1(k)), unless the investment is classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (note 1(k)), unless classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest earned or dividends on these investments as these are recognised in accordance with the policies set out in notes 1(t)(v) and (vi).

Investments in equity securities which do not fall into trading securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments in equity securities (continued)

As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 1(t)(vi).

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment

(i) Hotel properties

Hotel properties are stated at cost less accumulated depreciation (note 1(i)(iii)) and impairment losses (note 1(k)).

(ii) Other property, plant and equipment

Other property, plant and equipment, except for construction-in-progress, are stated at cost less accumulated depreciation (note 1(i)(iii)) and impairment losses (note 1(k)). Construction-in-progress is stated at cost less accumulated impairment losses and not subject to depreciation.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(iii) Depreciation

Depreciation is calculated to write off the cost of these assets, less their estimated residual value, if any, using the straight line method over the shorter of the unexpired period of the land lease and their estimated useful lives as follows:

- Buildings situated on freehold land are depreciated over their estimated useful lives of 30 to 48 years. Freehold land is not depreciated.
- Buildings situated on leasehold land are depreciated over the shorter of the joint venture period, the unexpired term of the lease and their estimated useful lives of 30 to 48 years.
- Motor vehicles 7 years
- Furniture, fixtures and equipment 3 to 5 years
- No depreciation is provided on property under development

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (note 1(h)); and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (note 1(h)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates accounted for under the equity method in the consolidated financial statements (note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (other than investment properties carried at revalued amounts);
- pre-paid interests in leasehold land classified as being held under an operating lease; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

(i) Hotel and club operations

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value for completed property held for sale. Cost and net realisable values for completed property held for sale are determined as follows:

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables (including interest-free loans from non-controlling shareholders) are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

(iii) (continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement and the issue of an occupation permit by the relevant government authorities. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under trade and other payables.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Hotel and club operations

Hotel and club revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered. The slot machine income represents proceeds earned from the operation of slot machines at one of the Group's hotels and is recognised based on net receipts from the machines.

(iv) Management fee income

Management fee income is recognised when the services are rendered.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) has control or joint control over the Group;
 - (2) has significant influence over the Group; or
 - (3) is a member of the key management personnel of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2017

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Related parties *(continued)*

- (ii) An entity is related to the Group if any of the following conditions applies:
- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 18(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 *Statement of cash flows: Disclosure initiative*, which require entities 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are hotel and club operations, property investment and development and the provision of management services.

Revenue represents income from hotel and club operations, proceeds from sales of properties, rental income and the provision of management services. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2017 HK\$'000	2016 HK\$'000
Hotel and club operations		
– Rooms	1,030,452	1,042,334
– Food and beverage	334,856	343,045
– Slot machine income	410,375	421,846
– Other	52,226	50,125
	1,827,909	1,857,350
Proceeds from sales of properties	24,788	–
Rental income	89,939	91,186
Management fee income	6,861	6,675
	1,949,497	1,955,211

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

4 OTHER REVENUE AND OTHER NET (LOSSES)/GAINS

(a) Other revenue

	2017 HK\$'000	2016 HK\$'000
Interest income from bank deposits	26,774	18,750
Dividend income from listed available-for-sale and trading securities	277	303
Others	14,870	10,330
	41,921	29,383

(b) Other net (losses)/gains

	2017 HK\$'000	2016 HK\$'000
Net exchange gains/(losses)	24,707	(14,094)
Net realised and unrealised (losses)/gains on derivative financial instruments	(26,482)	32,867
Net realised and unrealised (losses)/gains on trading securities	(582)	1,556
(Loss)/gain on disposal of property, plant and equipment	(1,678)	157
Others	(216)	39
	(4,251)	20,525

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2017 HK\$'000	2016 HK\$'000
Bank loan interests	42,252	34,715
Interest expense on loans from non-controlling shareholders	5,075	4,839
Other interest expenses	68	15
	47,395	39,569

(b) Staff costs

	2017 HK\$'000	2016 HK\$'000
Salaries, wages and other benefits	591,916	564,904
Contributions to defined contribution retirement plans	8,598	10,175
	600,514	575,079

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

5 PROFIT BEFORE TAXATION (continued)

(b) Staff costs (continued)

Employee benefits

The Group participates in defined contribution retirement schemes in Hong Kong, Macau, the PRC, Vietnam, the United States, Canada and Japan. Contributions to the plan vest immediately and the contributions are charged to the consolidated statement of profit or loss as incurred.

The Company and subsidiaries in Hong Kong participate in a mandatory provident fund scheme (the “MPF scheme”). Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income with a ceiling of HK\$1,500 per month. The MPF scheme is a defined contribution retirement scheme administered by independent trustees.

The Group operates a social security fund for all local employees in Macau. Under the fund, the employer and its employees are respectively required to make contributions at MOP60 and MOP30 on a monthly basis. The contributions are vested benefits to the employees even if upon their retirement or termination of the employment.

The employees of the Group’s subsidiary operating in the PRC are members of central pension schemes and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees’ retirement benefits. The retirement contributions paid by the PRC subsidiary are based on the 19% of the employees’ salaries cost in accordance with the relevant regulations in the PRC.

The employees of the Group’s subsidiary operating in Vietnam are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees’ retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at the prevailing rate of 21.5% of basic salaries.

The employees of the Group’s subsidiary operating in the United States are under a voluntary defined contribution plan governed by the United States Internal Revenue Service, whereby participants may contribute on a pre-tax basis between 0% and 50% of their compensations to the plan subject to certain maximum limits. The plan also contains provisions for matching contributions to be made by the Group’s subsidiary, which are based on a portion of the participants’ eligible compensation.

The employees of the Group’s subsidiary operating in Canada are required to participate in the Canadian Pension Plan, a nationally administered and mandated defined contribution pension plan. Employers and employees contribute at 4.95% each to an employee’s earnings subject to certain maximum limits.

The employees of the Group’s subsidiary operating in Japan are required to participate in a pension plan, whereby the employers and employees are each required to contribute at 9.1% of the employee’s monthly salary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

5 PROFIT BEFORE TAXATION (continued)

(c) Other items

	2017 HK\$'000	2016 HK\$'000
Cost of inventories	198,031	185,597
Auditors' remuneration		
– Audit services	3,448	3,306
– Interim review	831	777
– Tax advisory and other services	739	928
Operating lease charges for hire of premises	210	228
Rentals receivable from properties less direct outgoings of HK\$1,535,000 (2016: HK\$2,948,000)	(88,404)	(88,238)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 HK\$'000	2016 HK\$'000
Current tax – Overseas		
Provision for the year	64,352	71,555
Over-provision in respect of prior years	(1,800)	(1,215)
	62,552	70,340
Deferred tax (note 23(b))		
Origination and reversal of other temporary differences	(53,194)	32,325
Effect on deferred tax balance at 1 January 2018 resulting from a change in tax rate in the United States	(22,087)	–
	(75,281)	32,325
	(12,729)	102,665

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(continued)

(a) Taxation in the consolidated statement of profit or loss represents:

(continued)

Notes:

- (i) No provision has been made for Hong Kong Profits Tax as the Company and all other entities comprising the Group that are incorporated in Hong Kong sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income during the years ended 31 December 2016 and 2017.
- (ii) Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.
- (iii) The usual income tax rate applicable to Vietnam enterprises before any incentives is 20% (2016: 20%) for the year ended 31 December 2017.
- (iv) The applicable PRC Enterprise Income Tax of the subsidiary established in the PRC is calculated at 25% (2016: 25%) of the estimated taxable profits for the year. No provision has been made for PRC Enterprise Income Tax as the subsidiary sustained a loss for taxation purposes or had unutilised tax loss to set-off against taxable income during the years ended 31 December 2016 and 2017.
- (v) Pursuant to the income tax rules and regulations of the United States, the applicable Federal and State Income Tax in respect of the subsidiaries operating in the United States are calculated at a rate of 34% (2016: 34%) and 12.64% (2016: 12.89%) respectively determined by income ranges for the year ended 31 December 2017. United States tax reform enacted in late 2017 and effective from 2018 included a reduction in the Federal Income Tax rate to 21%. The deferred tax assets and liabilities at 31 December 2017 are calculated using the rate of 21%.
- (vi) Under the Japanese domestic law, the subsidiary established in Japan under the Tokumei-Kumiai arrangement is subject to Japanese withholding tax at the rate of 20.42% (2016: 20.42%) on all gross profit distributions from the subsidiary.
- (vii) Provision for Macau Complementary Tax is calculated at 12% (2016: 12%) of the estimated assessable profits for the year ended 31 December 2017. Macau Property Tax is calculated at 10% (2016: 10%) of the assessable rental income in Macau.
- (viii) Pursuant to the income tax rules and regulations of Canada, the applicable federal and provincial statutory tax rate is 26.5% (2016: 26.5%).
- (ix) Share of associates' tax for the year ended 31 December 2017 of HK\$4,291,000 (2016: HK\$29,000) is included in the share of profits less losses of associates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(continued)

(b) Reconciliation between tax (credit)/expense and profit before taxation at applicable tax rates:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	213,352	412,742
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	(3,264)	106,438
Tax effect of non-deductible expenses	28,562	9,937
Tax effect of non-taxable revenue	(11,482)	(12,247)
Tax effect of previously unrecognised prior years' tax losses utilised this year	(2,658)	(248)
Over-provision in respect of prior years	(1,800)	(1,215)
Effect on deferred tax balance at 1 January 2018 resulting from a change in tax rate in the United States (note 6(a)(v))	(22,087)	-
Actual tax (credit)/expense	(12,729)	102,665

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2017 Total HK\$'000
Executive directors					
HO Kian Guan	150	1,212	404	-	1,766
HO Kian Hock	105	1,212	404	-	1,721
TSE See Fan Paul	195	-	-	-	195
CHAN Lui Ming Ivan	105	528	176	-	809
YU Yuet Chu Evelyn	135	1,034	332	18	1,519
HO Chung Tao	165	1,320	360	18	1,863
HO Chung Hui	85	396	132	-	613
HO Chung Kain (alternate director to HO Chung Hui)	-	396	132	-	528
Non-executive director					
HO Kian Cheong	85	-	-	-	85
Independent non-executive directors					
CHAN Yau Hing Robin	250	-	-	-	250
KWOK Chi Shun Arthur	240	-	-	-	240
WANG Poey Foon Angela	250	-	-	-	250
YU Hon To David	230	-	-	-	230
	1,995	6,098	1,940	36	10,069

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

7 DIRECTORS' EMOLUMENTS (continued)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	2016 Total HK\$'000
Executive directors					
HO Kian Guan	170	1,212	404	-	1,786
HO Kian Hock	125	1,212	404	-	1,741
TSE See Fan Paul	215	-	-	-	215
CHAN Lui Ming Ivan	120	528	164	-	812
YU Yuet Chu Evelyn	155	982	315	18	1,470
HO Chung Tao	185	1,320	330	18	1,853
HO Chung Hui	95	396	123	-	614
HO Chung Kain (alternate director to HO Chung Hui)	10	396	123	-	529
Non-executive director					
HO Kian Cheong	105	-	-	-	105
Independent non-executive directors					
CHAN Yau Hing Robin	265	-	-	-	265
KWOK Chi Shun Arthur	270	-	-	-	270
WANG Poey Foon Angela	270	-	-	-	270
YU Hon To David	250	-	-	-	250
	2,235	6,046	1,863	36	10,180

The Company does not have any share option scheme for the purchase of ordinary shares in the Company. None of the directors have received any share based payments from the Company or any of its subsidiaries during the year ended 31 December 2017 (2016: Nil).

During the years ended 31 December 2017 and 2016, there were no amounts paid to directors and senior executives for the compensation for loss of office and inducement for joining the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, none (2016: none) is a director whose emoluments are disclosed in note 7.

The aggregate of the emoluments in respect of the five (2016: five) other individuals is as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and other emoluments	9,980	8,682
Discretionary bonuses	2,812	2,604
Retirement scheme contributions	264	190
	13,056	11,476

The emoluments of the five (2016: five) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$2,500,001 – HK\$3,000,000	2	2
HK\$3,000,001 – HK\$3,500,000	1	–

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$131,005,000 (2016: HK\$225,345,000) and on the 340,200,000 ordinary shares in issue during the years ended 31 December 2017 and 2016.

There are no potential dilutive ordinary shares during the years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geographical locations. The Group has identified the following three reportable segments in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

- (i) Hotel segment is primarily engaged in the businesses of hotel room accommodation, provision of food and beverage at hotel restaurant outlets and operation of slot machines at one of the Group's hotels.
- (ii) Property segment is primarily engaged in the businesses of leasing of the Group's investment properties, which mainly consist of retail, commercial and office properties in Macau and of development, sales and marketing of the Group's trading properties in Macau.
- (iii) Investment and corporate segment is primarily engaged in the businesses of management of the Group's corporate assets and liabilities, available-for-sale and trading securities, financial instruments and other treasury operations.

Segment results, assets and liabilities

Information regarding the Group's reportable segments is provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Segment assets principally comprise all tangible assets, other non-current assets and current assets directly attributable to each segment with the exception of interest in associates.

Segment liabilities include all trade and other payables attributable to the individual segments and other borrowings managed directly by the segments with the exception of bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

10 SEGMENT REPORTING (continued)

(a) Analysis of segment results of the Group

	External revenue HK\$'000	Inter-segment Revenue HK\$'000	Total revenue HK\$'000	Depreciation HK\$'000	Impairment loss on a hotel property HK\$'000	Finance costs HK\$'000	Share of profits less losses of associates HK\$'000	Income tax HK\$'000	Contribution to profit HK\$'000
2017									
Hotel	1,820,577	-	1,820,577	(138,000)	(145,872)	(47,327)	11,116	29,937	128,812
- Vietnam	716,100	-	716,100	(35,570)	-	-	14,915	(39,048)	171,626
- United States	896,887	-	896,887	(79,143)	(145,872)	(41,492)	-	76,670	(66,902)
- The People's Republic of China	69,082	-	69,082	(12,190)	-	(5,075)	-	-	1,517
- Canada	91,588	-	91,588	(7,991)	-	(760)	(3,799)	(2,778)	3,990
- Japan	46,920	-	46,920	(3,106)	-	-	-	(4,907)	18,581
Property									
- Macau [#]	126,069	1,832	127,901	(4,847)	-	(68)	-	(8,771)	86,682
Investment and corporate	2,851	-	2,851	(78)	-	-	(1)	(8,437)	10,587
Inter-segment elimination	-	(1,832)	(1,832)	-	-	-	-	-	-
Total	1,949,497	-	1,949,497	(142,925)	(145,872)	(47,395)	11,115	12,729	226,081

	External revenue HK\$'000	Inter-segment revenue HK\$'000	Total revenue HK\$'000	Depreciation HK\$'000	Finance costs HK\$'000	Share of profits less losses of associates HK\$'000	Income tax HK\$'000	Contribution to profit HK\$'000
2016								
Hotel	1,849,989	-	1,849,989	(129,841)	(39,477)	18,915	(85,289)	262,604
- Vietnam	698,232	-	698,232	(28,111)	-	18,123	(36,123)	164,181
- United States	939,787	-	939,787	(79,996)	(33,905)	-	(38,547)	68,014
- The People's Republic of China	66,741	-	66,741	(12,376)	(4,839)	-	-	(2,852)
- Canada	90,779	-	90,779	(5,792)	(733)	792	(4,046)	11,957
- Japan	54,450	-	54,450	(3,566)	-	-	(6,573)	21,304
Property								
- Macau [#]	102,359	1,620	103,979	(4,951)	(17)	-	(9,089)	68,770
Investment and corporate	2,863	-	2,863	(85)	(75)	(3)	(8,287)	(21,297)
Inter-segment elimination	-	(1,620)	(1,620)	-	-	-	-	-
Total	1,955,211	-	1,955,211	(134,877)	(39,569)	18,912	(102,665)	310,077

[#] External revenue from property segment in Macau included sale of properties of HK\$24,788,000 (2016: Nil), rental income from investment properties of HK\$28,675,000 (2016: HK\$30,149,000), rental income from properties held for sale of HK\$58,892,000 (2016: HK\$57,915,000) and club operations and others of HK\$13,714,000 (2016: HK\$14,295,000).

The amount of each significant category of revenue recognised in revenue during the year is analysed in note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

10 SEGMENT REPORTING (continued)

(b) Analysis of total assets of the Group

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
At 31 December 2017				
Hotel				
– Vietnam	394,719	90,393	485,112	26,214
– United States	2,709,537	–	2,709,537	41,600
– The People's Republic of China	192,584	–	192,584	1,428
– Canada	140,625	33,859	174,484	27,430
– Japan	115,466	–	115,466	294
Property				
– Macau	1,774,874	–	1,774,874	159
Investment and corporate	1,039,084	4,157	1,043,241	36
Total	6,366,889	128,409	6,495,298	97,161

	Segment assets HK\$'000	Interest in associates HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
At 31 December 2016				
Hotel				
– Vietnam	424,021	114,515	538,536	53,090
– United States	2,884,780	–	2,884,780	31,340
– The People's Republic of China	206,620	–	206,620	1,597
– Canada	126,063	27,171	153,234	13,400
– Japan	108,507	–	108,507	72
Property				
– Macau	1,723,950	–	1,723,950	637
Investment and corporate	1,039,586	4,131	1,043,717	9
Total	6,513,527	145,817	6,659,344	100,145

Investment and corporate segment assets and liabilities mainly represent financial instruments, cash and bank deposits and borrowings which are managed centrally by the Group treasury function.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

10 SEGMENT REPORTING (continued)

(c) Analysis of total liabilities of the Group

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
At 31 December 2017			
Hotel			
– Vietnam	127,830	3,076	130,906
– United States	143,345	1,463,000	1,606,345
– The People's Republic of China	96,330	–	96,330
– Canada	11,966	27,191	39,157
– Japan	2,029	–	2,029
Property			
– Macau	163,876	–	163,876
Investment and corporate	67,577	–	67,577
Total	612,953	1,493,267	2,106,220

	Segment liabilities HK\$'000	Bank borrowings HK\$'000	Total liabilities HK\$'000
At 31 December 2016			
Hotel			
– Vietnam	134,803	–	134,803
– United States	184,599	1,705,105	1,889,704
– The People's Republic of China	94,142	–	94,142
– Canada	12,461	26,931	39,392
– Japan	2,550	–	2,550
Property			
– Macau	160,769	–	160,769
Investment and corporate	67,830	–	67,830
Total	657,154	1,732,036	2,389,190

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND

(a) Reconciliation of carrying amount

	Property, plant and equipment					Land			Total HK\$'000
	Investment properties HK\$'000	Hotel properties HK\$'000	Other property, plant and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Sub-total HK\$'000	Freehold land HK\$'000	Interests in leasehold land held for own use HK\$'000	Sub-total HK\$'000	
Cost or valuation:									
At 1 January 2017	797,000	3,020,858	107,217	738,240	3,866,315	735,190	167,913	903,103	5,566,418
Additions	-	55,132	3,509	38,520	97,161	-	-	-	97,161
Disposals	-	(5,080)	(4,274)	(46,229)	(55,583)	-	-	-	(55,583)
Surplus on revaluation	5,500	-	-	-	-	-	-	-	5,500
Exchange adjustments	-	57,410	776	15,611	73,797	8,824	6,875	15,699	89,496
At 31 December 2017	802,500	3,128,320	107,228	746,142	3,981,690	744,014	174,788	918,802	5,702,992
Representing:									
Cost	-	3,128,320	107,228	746,142	3,981,690	744,014	174,788	918,802	4,900,492
Valuation - 2017	802,500	-	-	-	-	-	-	-	802,500
	802,500	3,128,320	107,228	746,142	3,981,690	744,014	174,788	918,802	5,702,992
Accumulated depreciation and impairment:									
At 1 January 2017	-	744,334	75,527	534,111	1,353,972	-	75,675	75,675	1,429,647
Charge for the year	-	82,329	4,464	52,760	139,553	-	3,372	3,372	142,925
Impairment loss (Note 11(b))	-	145,872	-	-	145,872	-	-	-	145,872
Written back on disposals	-	(4,794)	(3,584)	(43,637)	(52,015)	-	-	-	(52,015)
Exchange adjustments	-	30,251	633	9,563	40,447	-	3,240	3,240	43,687
At 31 December 2017	-	997,992	77,040	552,797	1,627,829	-	82,287	82,287	1,710,116
Net book value:									
At 31 December 2017	802,500	2,130,328	30,188	193,345	2,353,861	744,014	92,501	836,515	3,992,876

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

(a) Reconciliation of carrying amount (continued)

	Property, plant and equipment					Land			Total HK\$'000
	Investment properties HK\$'000	Hotel properties HK\$'000	Other property, plant and equipment HK\$'000	Furniture, fixtures and equipment HK\$'000	Sub-total HK\$'000	Freehold land HK\$'000	Interests in leasehold land held for own use HK\$'000	Sub-total HK\$'000	
Cost or valuation:									
At 1 January 2016	778,000	3,007,296	108,014	698,957	3,814,267	732,962	172,726	905,688	5,497,955
Additions	-	36,779	157	63,209	100,145	-	-	-	100,145
Disposals	-	-	(835)	(20,471)	(21,306)	-	-	-	(21,306)
Surplus on revaluation	19,000	-	-	-	-	-	-	-	19,000
Exchange adjustments	-	(23,217)	(119)	(3,455)	(26,791)	2,228	(4,813)	(2,585)	(29,376)
At 31 December 2016	797,000	3,020,858	107,217	738,240	3,866,315	735,190	167,913	903,103	5,566,418
Representing:									
Cost	-	3,020,858	107,217	738,240	3,866,315	735,190	167,913	903,103	4,769,418
Valuation - 2016	797,000	-	-	-	-	-	-	-	797,000
	797,000	3,020,858	107,217	738,240	3,866,315	735,190	167,913	903,103	5,566,418
Accumulated depreciation:									
At 1 January 2016	-	673,241	73,903	513,802	1,260,946	-	74,263	74,263	1,335,209
Charge for the year	-	81,922	4,276	45,299	131,497	-	3,380	3,380	134,877
Written back on disposals	-	-	(835)	(20,142)	(20,977)	-	-	-	(20,977)
Exchange adjustments	-	(10,829)	(1,817)	(4,848)	(17,494)	-	(1,968)	(1,968)	(19,462)
At 31 December 2016	-	744,334	75,527	534,111	1,353,972	-	75,675	75,675	1,429,647
Net book value:									
At 31 December 2016	797,000	2,276,524	31,690	204,129	2,512,343	735,190	92,238	827,428	4,136,771

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

(a) Reconciliation of carrying amount (continued)

Notes:

(i) Fair value measurement of investment properties

The investment properties were valued by Jones Lang LaSalle Limited, an independent firm of professional surveyors with appropriate qualifications and experience in the location and category of property being valued, using the income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by capitalising the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit rent at the capitalisation rate after the existing lease period.

The fair value of the Group's investment properties falls under Level 3 of the three-level fair value hierarchy as defined in HKFRS 13. The significant unobservable inputs were average unit rent per month ranging from HK\$13.0 to HK\$23.2 (2016: HK\$12.5 to HK\$22.6) per square foot and capitalisation rate ranging from 3.0% to 4.5% (2016: 3.0% to 4.5%) for the investment properties in Macau. The fair value measurement of the investment properties is positively correlated to the average unit rent per month and negatively correlated to the capitalisation rate.

The Group's senior management reviews the valuations performed by the independent valuers for financial reporting purposes. A valuation report with analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by the executive directors. Discussion of the valuation process and results are held between the senior management and independent valuer twice a year, to coincide with the Group's interim and annual reporting dates.

(ii) The Group leases out properties under operating leases, which generally run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property. The gross amount of investment properties of the Group held for use in operating leases was HK\$802,500,000 (2016: HK\$797,000,000).

(iii) Land use rights were granted to the subsidiaries for their hotel properties in (a) Wuhan, the PRC with a period of 50 years after receiving an approval for extension of 20 years in 2004 in addition to the initial period of 30 years commencing on 21 August 1995, and (b) Ho Chi Minh City, Vietnam with a period of 48 years commencing on 7 May 1994.

(iv) A club house situated in Ocean Gardens is classified under property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

(b) Impairment loss on a hotel property

The value of hotel properties is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. These indications include continuing adverse changes in the local market conditions in which the hotel operates, particularly when the hotel continues to operate at a loss and when its operating performance is behind budget. The valuations assess the recoverable amount of each hotel property being higher of its fair value less costs of disposal using the market comparison approach and value in use using the income approach.

During the year ended 31 December 2017, the operating performance of one of the hotel properties of the Group, namely the Sofitel New York, is behind budget. The hotel market in New York has weakened as compared to prior years and the competition has become more fierce due to new entrants in the market. The Group assessed the recoverable amount of this hotel property and as a result the carrying amount of the hotel property was written down to its recoverable amount of HK\$1,232,872,000. Impairment loss of HK\$145,872,000 was recognised as a separate line item in the Group's consolidated statement of profit or loss. The estimated recoverable amount of this hotel was determined based on value in use calculations. These calculations use cash flow projections based on the latest financial budgets approved by management with estimated average revenue growth rates of 1% to 6% from 2018 to 2021 and 3.7% from 2022 to 2027 and terminal capitalisation rate of 5.05%. The cash flows are discounted using a pre-tax discount rate of 6.75%. These key estimates and assumptions adopted by management are based on past performance and management's expectations for the market development with reference to publicly available market data. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future periods. No impairment loss on a hotel property was recognised at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

11 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND (continued)

(c) The analysis of the tenure of title to properties at net book value or valuation is as follows:

	Investment properties HK\$'000	Hotel properties HK\$'000	Other property, plant and equipment HK\$'000	Land HK\$'000	Total HK\$'000
Net book value or valuation:					
At 31 December 2017					
In Hong Kong					
– long leases	–	–	2,877	–	2,877
Outside Hong Kong					
– freehold	–	1,821,625	–	744,014	2,565,639
– medium term lease	–	308,703	–	92,501	401,204
– short term lease	802,500	–	19,741	–	822,241
	802,500	2,130,328	22,618	836,515	3,791,961
At 31 December 2016					
In Hong Kong					
– long leases	–	–	2,953	–	2,953
Outside Hong Kong					
– freehold	–	1,950,750	–	735,190	2,685,940
– medium term lease	–	325,774	–	92,238	418,012
– short term lease	797,000	–	23,884	–	820,884
	797,000	2,276,524	26,837	827,428	3,927,789

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12 INTEREST IN SUBSIDIARIES

The following list contains only particulars of subsidiaries which principally affected the results, assets or liabilities of the Group, all of which are controlled subsidiaries as defined under note 1(c) and whose results, assets and liabilities have been consolidated into the Group financial statements. The class of shares held is ordinary unless otherwise stated.

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Ocean Incorporation Ltd	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	-	Property investment and investment holding
Golden Crown Development Limited ("Golden Crown")	Macau	70,000,000 shares of Ptc1 each	70.61%	-	70.61%	Property development and investment
Ocean Place Joint Venture Company Limited ("OPJV")	Vietnam	US\$29,100,000	64.12%**	-	70%	Operation of a hotel
Hubei Qing Chuan Hotel Company Limited ("Qing Chuan")**	PRC	US\$16,300,000	41.26%	-	55%	Operation of a hotel
KSSF Enterprises Limited	USA	26,000,000 common stock and 35,000,000 series A preferred stock of US\$1 each	100%	-	100%	Operation of a hotel
KSSNY, Inc.	USA	26,000,000 common stock and 69,000,000 preferred stock of US\$1 each	100%	-	100%	Operation of a hotel
Acacio Limited*	British Virgin Islands/ Hong Kong	100 shares of US\$1 each	97%	-	97%	Investment Holding
Godo Kaisha TSM 107	Japan	JPY500,000	96.75%	0.27%	99.46%	Operation of a hotel
Chateau Ottawa Hotel Inc. ("Chateau Ottawa")	Canada	9,000,000 common shares and 2,700,000 preferred shares of C\$1 each	50% [®]	-	50%	Operation of a hotel

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total revenue constituting approximately 3.03% (2016: 3.55%) and 3.90% (2016: 3.81%) respectively of the related consolidated totals.

Qing Chuan was established in the PRC as a Sino-foreign equity joint venture in 1995.

** The Group's effective equity interest in OPJV of 64.12% is computed based on the shareholding held by the Company and its subsidiaries.

® Notwithstanding the Group's contribution of 50% of the issued equity capital of Chateau Ottawa, as the Group's ultimate holding company, Ocean Inc., undertook that it would exercise its 5% voting right in Chateau Ottawa in accordance with the instruction of the Company. Accordingly, the directors consider that the Group controls Chateau Ottawa and account for its investment as subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12 INTEREST IN SUBSIDIARIES (continued)

The following table lists out the information relating to Golden Crown and OPJV of the Group which have material non-controlling interests (“NCI”). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Golden Crown		OPJV	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
NCI percentage	29.39%	29.39%	45.04%	45.04%
Current assets	821,344	775,674	68,673	89,962
Non-current assets	665,825	679,153	326,046	334,059
Current liabilities	(171,543)	(176,468)	(127,830)	(134,803)
Non-current liabilities	(76,114)	(76,939)	(3,076)	–
Net assets	1,239,512	1,201,420	263,813	289,218
Carrying amount of NCI	364,292	353,097	141,054	143,077
Revenue	104,213	81,276	716,100	698,232
Profit for the year	72,072	62,460	156,711	146,057
Total comprehensive income	72,072	62,460	161,563	132,140
Profit allocated to NCI	21,182	18,357	70,583	65,784
Dividend paid to NCI	9,987	12,344	74,791	52,635
Cash flows from operating activities	19,954	32,013	90,131	82,127
Cash flows from investing activities	2,321	1,649	(16,764)	(17,839)
Cash flows from financing activities	(10,056)	20,935	(82,836)	(66,975)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

13 INTEREST IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Share of net assets	115,419	142,187
Loans to associates	12,990	3,630
	128,409	145,817
Loan from an associate	464	464

Loans to associates are unsecured and have no fixed terms of repayment and are not expected to be recovered within one year.

Loan from an associate is unsecured, interest-free and has no fixed terms of repayment.

The following list contains the particulars of associates, all of which are unlisted corporate entities, whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation/operation	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
KSF Enterprises Sdn Bhd ("KSF")	Incorporated	Malaysia	25%	25%	Investment holding (note (a))
Porchester Assets Limited ("PAL")	Incorporated	British Virgin Islands	49%	49%	Investment holding (note (b))

Notes:

- (a) KSF holds 100% interest in KSD Enterprises Ltd. ("KSD") which operates Delta Hotels by Marriott Toronto Airport & Conference Centre (formerly known as the "International Plaza Hotel") in Canada.
- (b) PAL holds 51% interest in Chains Caravelle Hotel Joint Venture Company Limited ("CCH") which operates the Caravelle Hotel in Vietnam. The Group's effective interest in CCH is 24.99%.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

13 INTEREST IN ASSOCIATES (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	CCH	
	2017 HK\$'000	2016 HK\$'000
<i>Gross amounts of the associate</i>		
Current assets	324,021	329,257
Non-current assets	172,933	175,688
Current liabilities	(48,087)	(120,065)
Non-current liabilities	(39,059)	(36,828)
Equity	409,808	348,052
Revenue	405,615	386,237
Profit for the year	61,756	66,515
Total comprehensive income	61,756	66,515
Dividend received/receivable from the associate	-	19,492
<i>Reconciled to the Group's interest in the associates</i>		
Gross amounts of net assets of the associate	409,808	348,052
Group's effective interest	24.99%	24.99%
Carrying amount in the consolidated financial statements	102,411	86,978

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

13 INTEREST IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material:

	2017 HK\$'000	2016 HK\$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	13,008	55,209
Aggregated amounts of the Group's share of those associates' (Loss)/profit for the year	(4,318)	2,290
Other comprehensive income	1,155	1,102
Total comprehensive income	(3,163)	3,392

14 AVAILABLE-FOR-SALE SECURITIES

	2017 HK\$'000	2016 HK\$'000
Equity securities listed outside Hong Kong, at market value	4,345	3,732

15 TRADING SECURITIES

	2017 HK\$'000	2016 HK\$'000
Equity securities listed outside Hong Kong, at market value	9,027	9,609

16 PROPERTIES HELD FOR SALE

The title and lease term of the properties held for sale by the Group is summarised as follows:

	2017 HK\$'000	2016 HK\$'000
Outside Hong Kong		
– freehold	8,599	8,599
– short term lease	271,651	272,059
	280,250	280,658

The rental income from properties held for sale is set out in note 10(a).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

17 TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	49,138	41,834
Other receivables, deposits and prepayments	33,324	53,455
	82,462	95,289

The Group's credit policy is set out in note 25(a).

	2017 HK\$'000	2016 HK\$'000
Amounts expected to be recoverable:		
– within one year	81,041	94,591
– after one year	1,421	698
	82,462	95,289

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis (by invoice date) as of the end of the reporting period:

	2017 HK\$'000	2016 HK\$'000
Within one month	34,877	34,813
One to three months	14,261	7,021
	49,138	41,834

None of the Group's trade receivables are impaired. 71% of trade receivables at 31 December 2017 (2016: 83%) were neither past due nor more than one month past due.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The balance and the movement of the allowance for doubtful debts as at 31 December 2017 and 2016 are not significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

18 DEPOSITS AND CASH

(a) Deposits and cash:

	2017 HK\$'000	2016 HK\$'000
Deposits with banks and other financial institutions	1,758,516	1,632,820
Cash at bank	212,588	309,729
	1,971,104	1,942,549

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2017 HK\$'000	2016 HK\$'000
Profit before taxation		213,352	412,742
Adjustments for:			
Net increase in fair value of investment properties	11(a)	(5,500)	(19,000)
Depreciation	11(a)	142,925	134,877
Impairment loss on a hotel property	11(b)	145,872	–
Interest income	4(a)	(26,774)	(18,750)
Dividend income from listed available-for-sale and trading securities	4(a)	(277)	(303)
Net realised and unrealised losses/(gains) on derivative financial instruments	4(b)	26,482	(32,867)
Net realised and unrealised losses/(gains) on trading securities	4(b)	582	(1,556)
Loss/(gain) on disposal of property, plant and equipment	4(b)	1,678	(157)
Finance costs	5(a)	47,395	39,569
Share of profits less losses of associates		(11,115)	(18,912)
Foreign exchange differences		(34,517)	696
Operating profit before changes in working capital		500,103	496,339
Decrease in properties held for sale		408	–
(Increase)/decrease in inventories		(135)	511
Decrease/(increase) in trade and other receivables		14,409	(2,352)
Increase in trade and other payables		29,058	18,607
Cash generated from operations		543,843	513,105

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

18 DEPOSITS AND CASH (continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings HK\$'000 (note (a))	Accrued interest HK\$'000 (note (b))	Total HK\$'000
At 1 January 2017	1,844,132	2,425	1,846,557
Changes from financing cash flows:			
Proceeds from new bank loans	3,062	–	3,062
Repayment of bank loans	(256,776)	–	(256,776)
Repayment of loans from non-controlling shareholders	(15,624)	–	(15,624)
Interest paid	–	(37,420)	(37,420)
Total changes from financing cash flows	(269,338)	(37,420)	(306,758)
Exchange adjustments	19,492	20	19,512
Other change:			
Interest expenses (note 5(a))	9,412	37,983	47,395
Total other change	9,412	37,983	47,395
At 31 December 2017	1,603,698	3,008	1,606,706

Note:

- (a) Bank loans and other borrowings consist of loan from an associate, bank loans and loans from non-controlling shareholders as disclosed in notes 13, 19 and 22.
- (b) Accrued interest is included in "Payables and accruals" as disclosed in note 20.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

19 BANK LOANS

(a) At 31 December 2017, the bank loans were repayable as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 year or on demand	66,355	1,706,837
After 1 year but within 2 years	66,355	25,199
After 2 years but within 5 years	1,360,557	–
	1,426,912	25,199
	1,493,267	1,732,036

At 31 December 2017, the bank loans were secured and unsecured as follows:

	2017 HK\$'000	2016 HK\$'000
Bank loans		
– Secured (note 19(b))	1,490,191	1,732,036
– Unsecured	3,076	–
	1,493,267	1,732,036

At 31 December 2017 and 2016, all bank loans bear interest at floating interest rates which approximate to market rates of interest.

(b) At 31 December 2017, the banking facilities available to the Company and certain subsidiaries of the Group were secured by:

- (i) Properties held for sale with a carrying value of HK\$63,898,000 (2016: HK\$63,898,000), and
- (ii) Hotel properties, including land, of the Group with aggregate carrying value of HK\$2,570,598,000 (2016: HK\$2,706,970,000).

Such banking facilities amounted to HK\$1,755,164,000 (2016: HK\$1,993,277,000) and were utilised to the extent of HK\$1,490,191,000 as at 31 December 2017 (2016: HK\$1,732,036,000).

(c) All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the draw down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). As at 31 December 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

20 TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	82,421	68,012
Payables and accruals	157,270	137,694
Deposits and receipts in advance	130,422	130,885
	370,113	336,591

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:-

	2017 HK\$'000	2016 HK\$'000
Due within one month or on demand	44,996	49,594
Due after one month but within three months	31,062	14,546
Due after three months	6,363	3,872
	82,421	68,012

All of the payables and accruals are expected to be settled within one year, except for the amount of HK\$5,113,000 (2016: HK\$5,502,000) expected to be settled after one year.

21 DEFERRED REVENUE

Deferred revenue represents amounts received in advance under service contracts. The amounts expected to be recognised as income after more than one year are included under non-current liabilities.

22 LOANS FROM NON-CONTROLLING SHAREHOLDERS

Loans from non-controlling shareholders are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost. Loans from non-controlling shareholders are unsecured, interest-free and repayable on demand except for loans with carrying amount of HK\$78,986,000 (2016: HK\$80,858,000) which are repayable on 30 April 2020 and classified as non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

23 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	2017 HK\$'000	2016 HK\$'000
Provision for overseas tax for the year	64,352	71,555
Provisional tax paid	(49,463)	(51,293)
	14,889	20,262
Balance of overseas tax recoverable relating to prior years	(5,095)	(762)
	9,794	19,500
Taxation recoverable	(7,170)	–
Taxation payable	16,964	19,500
	9,794	19,500

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties HK\$'000	Tax losses recognised HK\$'000	Withholding tax HK\$'000	Depreciation allowance in excess of the related depreciation and others HK\$'000	Total HK\$'000
Deferred tax arising from:					
At 1 January 2017	88,235	(1,709)	5,595	84,170	176,291
Charged/(credited) to profit or loss (note 6(a))	921	1,179	(738)	(76,643)	(75,281)
Exchange difference	–	–	2	(2)	–
At 31 December 2017	89,156	(530)	4,859	7,525	101,010
At 1 January 2016	85,693	(1,993)	4,675	55,844	144,219
Charged to profit or loss (note 6(a))	2,542	284	991	28,508	32,325
Exchange difference	–	–	(71)	(182)	(253)
At 31 December 2016	88,235	(1,709)	5,595	84,170	176,291

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

23 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

Deferred tax assets and liabilities recognised:

	2017 HK\$'000	2016 HK\$'000
Net deferred tax assets recognised in the statement of financial position	(8,258)	(6,119)
Net deferred tax liabilities recognised in the statement of financial position	109,268	182,410
	101,010	176,291

(c) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2017 HK\$'000	2016 HK\$'000
Future benefit of tax losses	11,459	10,511

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is not considered to be probable at 31 December 2017. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from Macau and PRC operations expire three years and five years respectively after the relevant accounting year end date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 CAPITAL, DIVIDENDS AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Share capital HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2016	498,305	736	3,128	438,879	941,048
Changes in equity for 2016:					
Profit for the year	-	-	-	28,595	28,595
Other comprehensive income	-	-	13	-	13
Total comprehensive income for the year	-	-	13	28,595	28,608
Dividends approved in respect of the previous year (note (b))	-	-	-	(40,824)	(40,824)
Dividends approved in respect of the current year (note (b))	-	-	-	(10,206)	(10,206)
At 31 December 2016 and 1 January 2017	498,305	736	3,141	416,444	918,626
Changes in equity for 2017:					
Profit for the year	-	-	-	81,981	81,981
Other comprehensive income	-	-	613	-	613
Total comprehensive income for the year	-	-	613	81,981	82,594
Dividends approved in respect of the previous year (note (b))	-	-	-	(40,824)	(40,824)
Dividends approved in respect of the current year (note (b))	-	-	-	(10,206)	(10,206)
At 31 December 2017	498,305	736	3,754	447,395	950,190

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 CAPITAL, DIVIDENDS AND RESERVES (continued)

(b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the year

	2017 HK\$'000	2016 HK\$'000
Interim dividend declared and paid of HK\$0.03 (2016: HK\$0.03) per ordinary share	10,206	10,206
Final dividend proposed after the end of the reporting period of HK\$0.12 (2016: HK\$0.12) per ordinary share	40,824	40,824
	51,030	51,030

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017 HK\$'000	2016 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.12 (2016: HK\$0.12) per ordinary share	40,824	40,824

(c) Share capital

	2017		2016	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	340,200	498,305	340,200	498,305

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 CAPITAL, DIVIDENDS AND RESERVES (continued)

(d) Nature and purpose of reserves

(i) Legal reserve

The legal reserve is non-distributable and represents transfer from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 1(f) and (k)(i).

(e) Distributability of reserves

At 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$447,395,000 (2016: HK\$416,444,000).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines net debt as total bank borrowings less deposits and cash (including pledged deposits). Adjusted capital comprises all components of equity less unaccrued proposed dividends.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

24 CAPITAL, DIVIDENDS AND RESERVES (continued)

(f) Capital management (continued)

The adjusted net debt-to-equity ratio of the Group at the end of the reporting period is as follows:

	Note	2017 HK\$'000	2016 HK\$'000
Bank borrowings	19	1,493,267	1,732,036
Less: Deposits and cash	18	(1,971,104)	(1,942,549)
Adjusted net cash		(477,837)	(210,513)
Total equity		4,389,078	4,270,154
Less: Proposed dividends		(40,824)	(40,824)
Adjusted capital		4,348,254	4,229,330
Adjusted net debt-to-equity ratio		N/A	N/A

Except for covenants relating to certain of the banking facilities of the subsidiaries of the Group as discussed in note 19, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, currency and interest rate risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Substantially all the Group's cash and cash equivalents are deposited with financial institutions in Hong Kong, Macau, the PRC, Singapore, the United States, Japan, Canada and Vietnam that are of high-credit quality to minimise credit risk exposure.

The Group's credit risk is primarily attributable to trade and other receivables. The Group has a defined credit policy. The general credit terms allowed range from 0 to 30 days. Trade customers with balances that are more than three months overdue are requested to settle all outstanding balances before any further credit is granted. The exposures to these credit risks (including loan to associates) are monitored on an ongoing basis.

The Group does not have significant concentration of credit risk.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Repayable within 1 year or on demand HK\$'000	Repayable more than 1 year but less than 2 years HK\$'000	Repayable more than 2 years but less than 5 years HK\$'000
Bank loans	1,493,267	1,590,178	101,087	97,989	1,391,102
Trade and other payables	370,113	370,113	365,000	388	4,725
Loan from an associate	464	464	464	-	-
Loans from non-controlling shareholders	109,967	121,594	30,981	-	90,613
At 31 December 2017	1,973,811	2,082,349	497,532	98,377	1,486,440

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Repayable within 1 year or on demand HK\$'000	Repayable more than 1 year but less than 2 years HK\$'000	Repayable more than 2 years but less than 5 years HK\$'000
Bank loans	1,732,036	1,782,676	1,757,195	25,481	–
Trade and other payables	336,591	336,591	331,478	388	4,725
Loan from an associate	464	464	464	–	–
Loans from non-controlling shareholders	111,632	133,609	30,774	–	102,835
At 31 December 2016	2,180,723	2,253,340	2,119,911	25,869	107,560

(c) Currency risk

The Group is exposed to currency risk primarily through deposits and cash and cross-currency swap contracts that are denominated in a currency other than the functional currency of the operations to which they relate. As the Hong Kong dollar (“HKD”) is pegged to United States dollar (“USD”), the Group does not expect any significant movements in the USD/HKD exchange rate. The currencies giving rise to currency risk are primarily denominated in Canadian dollars, Australian dollars and Euro.

(i) Cross-currency swap contracts

In 2016, the Group entered into cross-currency swap contracts to manage its currency risk arising from anticipated transactions denominated in currencies other than the entities’ functional currencies. These contracts with notional amount of HK\$504,010,000 did not qualify for hedge accounting and their corresponding fair values of HK\$28,145,000 (net) were recognised in the consolidated statement of financial position. All of these contracts were settled during the year ended 31 December 2017.

(ii) Exposure to currency risk

The following table details the Group’s significant exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Currency risk (continued)

(ii) Exposure to currency risk (continued)

2017

	Exposure to foreign currency
	Canadian dollars HK\$'000
Deposits and cash	77,156
Net exposure arising from recognised assets and liabilities at 31 December 2017	77,156

2016

	Exposure to foreign currencies		
	Canadian dollars HK\$'000	Australian dollars HK\$'000	Euro HK\$'000
Deposits and cash	73,555	72,649	-
Cross-currency swap contracts at fair value through profit or loss	-	-	28,145
Net exposure arising from recognised assets and liabilities at 31 December 2016	73,555	72,649	28,145

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise from foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HKD and USD would not be materially affected by any changes in movement in value of USD against other currencies. Other components of equity would not be affected by changes in the foreign exchange rates.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK\$'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits HK\$'000
Canadian dollars	10 (10)	7,716 (7,716)	10 (10)	7,356 (7,356)
Australian dollars	10 (10)	- -	10 (10)	7,265 (7,265)
Euro	10 (10)	- -	10 (10)	(2,815) 2,815

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Interest rate risk

- (i) The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings and income-earning financial assets. The following table indicates their effective interest rates at the end of the reporting period and the periods in which they reprice or the maturity dates, if earlier.

	Fixed/floating	2017		2016	
		Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
Interest-bearing borrowings					
Bank loans	Floating	2.15% - 7.65%	1,493,267	1.65% - 2.15%	1,732,036
Income-earning financial assets					
Cash	Floating	0.001% - 6.70%	212,588	0.001% - 6.20%	309,729
Deposits and cash	Fixed	0.01% - 2.00%	1,758,516	0.01% - 2.20%	1,632,820
			1,971,104		1,942,549

- (ii) Sensitivity analysis

At 31 December 2017, it is estimated that an increase/decrease of 1% in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by HK\$9,970,000/HK\$11,318,000 (2016: HK\$11,709,000/HK\$13,351,000). Other components of equity would not be affected by changes in the interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. The analysis is performed on the same basis for 2016.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale securities (note 14) and trading securities (note 15). They have been selected taking reference to their longer term growth potential and are monitored regularly for performance.

Given that the volatility of the stock markets may not have a direct connection with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of other investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Equity price risk (continued)

At 31 December 2017, it is estimated that an increase/decrease of 5% in the market value of the Group's equity investments, with all other variables held constant, would increase/decrease the Group's profit after tax (and retained profits) and other components of consolidated equity as follows:

	2017			2016		
	Effect on profit after tax and retained profits %	Effect on other components of equity HK\$'000	Effect on other components of equity HK\$'000	Effect on profit after tax and retained profits %	Effect on other components of equity HK\$'000	Effect on other components of equity HK\$'000
Change in the relevant equity price risk variable:						
Increase	5	451	217	5	480	187
Decrease	(5)	(451)	(217)	(5)	(480)	(187)

The analysis is performed on the same basis for 2016.

(f) Fair value measurement

(i) Financial assets and liabilities carried at fair value

The Group's available-for-sale securities and trading securities are measured using market quoted price and therefore fall within the Level 1 fair value hierarchy as defined in HKFRS 13. All derivative financial instruments carried at fair value are categorised as falling under Level 2 of the fair value hierarchy.

The Group's derivative financial instruments of (i) Cross currency swaps are measured using discounted cash flow methodology based on observable spot and forward exchange rates as well as the yield curves of the respective currencies taking into account the credit risk of the counterparties and of the Group as appropriate and (ii) Interest rate swap is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties. These derivative financial instruments fall within the Level 2 fair value hierarchy as defined in HKFRS13.

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value

Fair values of debtors, bank balances and other liquid funds, creditors, accruals, current borrowings, and current provisions are assumed to approximate their carrying amount due to the short-term maturities of these assets and liabilities, except for the interest-free loans due to non-controlling shareholders with a repayment date at 30 April 2020, the carrying amount of which at 31 December 2017, was HK\$78,986,000 (2016: HK\$80,858,000), approximating its fair value. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

26 COMMITMENTS

- (a) At 31 December 2017, capital commitments outstanding not provided for in the financial statements were as follows:

	2017 HK\$'000	2016 HK\$'000
Contracted for	29,703	87,015
Authorised but not contracted for	129,763	135,108
	159,466	222,123

- (b) At 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK\$'000	2016 HK\$'000
Leases on premises expiring:		
– within one year	524	307
– after one year and within five years	1,113	134
	1,637	441

- (c) At 31 December 2017, the Group's total future minimum lease receivables under non-cancellable operating leases are receivable as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	66,879	76,671
After one year but within five years	59,239	77,614
After five years	15,898	–
	142,016	154,285

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

27 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions, which were on commercial terms, with Mr Ho Kian Cheong (“KC Ho”), and Goodland Limited (“Goodland”).

KC Ho is a non-executive director and a substantial shareholder of the Company at 31 December 2017 and 2016. Goodland holds 28% of the equity interest in the Company at 31 December 2017 and 2016. Mr Ho Kian Guan and Ho Kian Hock, executive directors of the Company, each had 1/3 indirect interest in Goodland and are also directors of Goodland. They are deemed to be interested in the following transactions.

		For the year ended 31 December	
		2017 HK\$'000	2016 HK\$'000
(a) Transactions with Goodland			
Rental income receivable	(i)	1,407	1,199
Management fee receivable	(ii)	501	501
Management fee payable	(iii)	3,204	3,204
Interest expense payable	(v)	69	16
		At 31 December 2017 HK\$'000	At 31 December 2016 HK\$'000
(b) Balances with Goodland			
Loan from Goodland	(iv)	40,245	41,829
Amount due to Goodland	(v)	22,273	20,833
(c) Balances with KC Ho			
Loan from KC Ho	(iv)	9,749	10,983
Amount due to KC Ho	(vi)	4,085	4,053

Notes:

- (i) A subsidiary of the Company rented certain of its properties to Goodland and received rental income.
- (ii) Goodland paid management fees to a subsidiary of the Company.
- (iii) Certain subsidiaries of the Company paid management fees to Goodland.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (iv) At 31 December 2017, loans from non-controlling shareholders (note 22) included (i) loan from Goodland with carrying amount of HK\$40,245,000 (2016: HK\$41,829,000) and (ii) loan from KC Ho with carrying amount of HK\$9,749,000 (2016: HK\$10,983,000). The balance, which were renewed on 30 April 2015, were unsecured, interest-free and repayable on 30 April 2020.
- (v) At 31 December 2017, trade and other payables included amount due to Goodland of HK\$22,273,000 (2016: HK\$20,833,000) comprising:
- interest bearing accounts with certain subsidiaries of the Company amounting to HK\$5,030,000 (2016: HK\$3,523,000). Interest payable by the subsidiaries amounted to HK\$69,000 for the year ended 31 December 2017 (2016: HK\$16,000).
 - non-interest bearing accounts with certain subsidiaries of the Company amounted to HK\$17,243,000 (2016: HK\$17,310,000). The balances are unsecured and repayable on demand.
- The balances are unsecured and repayable on demand.
- (vi) As at 31 December 2017, loans from non-controlling shareholders included amount due to KC Ho which were non-interest bearing, unsecured and repayable on demand.

The related party transactions above constitute connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section "Connected Transaction" of the directors' report.

28 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 25 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Key sources of estimation uncertainty

(i) Valuation of investment properties

Investment properties are included in the statement of financial position at their market value, which is assessed annually by independent qualified valuers, after taking into consideration the net income allowing for reversionary income potential. The assumptions adopted in the property valuation are based on the market conditions existing at the end of the reporting period, with reference to current market sales prices and the appropriate capitalisation rate.

(ii) Estimated useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the periods over which the assets are expected to be available for use. The Group reviews annually their estimated useful lives, based on factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation charges and decrease non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

28 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

(iii) Impairment of assets

The Group reviews internal and external sources of information at the end of each reporting period to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The Group estimates the asset's recoverable amount when any such indication exists. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Group. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

(iv) Impairment loss of available-for-sale equity securities

The Group determines that available-for-sale equity securities are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of when a decline in fair value below cost is not recoverable within a reasonable time period is judgemental by nature, so profit and loss could be affected by differences in this judgement.

(v) Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

28 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

(vi) Fair value of derivative financial statements

In determining the fair value of financial instruments, the Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. For financial instruments that are not traded in active markets, the fair values were based on the discounted cash flows method which discounts the future contractual cash flows at the current market foreign exchange rates for similar financial instruments that were available to the Group at the time.

(b) Critical accounting judgements in applying the Group's accounting policies

The Group has temporarily leased out certain properties held for sale but does not consider these properties to be investment properties because it is not the Group's intention to hold them in the long-term for capital appreciation or rental income. Accordingly, these properties are still classified as properties held for sale.

29 CONTINGENT LIABILITIES

At 31 December 2017, there were outstanding counter indemnities relating to guarantees issued by the bankers of a subsidiary in favour of the Macau SAR Government in respect of properties held for sale amounted to HK\$8,252,000 (2016: HK\$8,252,000).

At 31 December 2017, the Directors do not consider it probable that a claim will be made against the Group under any of the guarantees. The Group have not recognised any deferred income in respect of any of the above guarantees as their fair value cannot be reliably measured and they were issued many years ago and their transaction price was Nil.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment		2,918	2,960
Interest in subsidiaries	12	1,179,614	988,861
Interest in associates		29,881	20,548
Available-for-sale securities		4,345	3,732
		1,216,758	1,016,101
Current assets			
Trading securities		9,027	9,609
Properties held for sale		10,727	10,727
Trade and other receivables		5,040	5,207
Deposits and cash		781,195	917,707
		805,989	943,250
Current liabilities			
Trade and other payables		6,654	6,567
Taxation payable		97	14
		6,751	6,581
Net current assets		799,238	936,669
Total assets less current liabilities		2,015,996	1,952,770
Non-current liabilities			
Amounts due to subsidiaries		1,065,806	1,034,144
NET ASSETS		950,190	918,626
CAPITAL AND RESERVES			
	24		
Share capital		498,305	498,305
Reserves		451,885	420,321
TOTAL EQUITY		950,190	918,626

Approved and authorised for issue by the board of directors on 23 March 2018.

Ho Kian Guan
Executive Chairman

Tse See Fan Paul
Executive Director

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

31 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 9 March 2018, the Company has signed an equity commitment letter with Accor S.A., pursuant to which the Company shall purchase, and Accor S.A. shall sell, approximately 0.7% of equity in AccorInvest Group S.A. at a cash consideration of EUR25 million. Completion of the transaction is expected to take place in the second quarter of 2018. The above transaction constituted a discloseable transaction under the Listing Rules. Details of the transaction were disclosed in the Company's announcement dated 9 March 2018.

32 ULTIMATE CONTROLLING PARTY

As 31 December 2017, Kansas Holdings Limited and Goodland hold 30% and 28% respectively of the equity interest in the Company. The directors consider the ultimate controlling party of the Group to be Ocean Inc., which is incorporated in Republic of Liberia. This entity does not produce financial statements available for the public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019

While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report. The adoption of HKFRS 16 is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9, Financial instruments

HKFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39, *Financial Instruments: Recognition and Measurement* ("HKAS 39"), and a new hedge accounting model where the hedged ratio is required to be the same as the one used by an entity's management for risk management purposes. The Group has assessed the impact of HKFRS 9 expected to be in the period of initial application. With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either fair value through profit or loss ("FVTPL") or irrevocably elect to designate as fair value through other comprehensive income ("FVTOCI") (without recycling) on transition to HKFRS 9. The Group has decided that it will irrevocably designate these investments as FVTOCI. This change in policy will have no impact on the Group's net assets and total comprehensive income. Calculation of impairment of financial assets and hedge accounting is unlikely to have a significant impact on the Group on adoption of HKFRS 9.

HKFRS 15, Revenue from contracts with customers

Under HKFRS 15, revenue from sale of goods or provision of services will be recognised when the customer obtains control of the promised good or service in the contract. The Group has assessed that HKFRS 15 is not likely to have significant impact on how it recognises revenue from hotel and club operations, rental income and management fee income. However, in respect of revenue recognition of sales of properties, the Group has assessed that HKFRS 15 would result in the revenue from sale of properties and the corresponding direct costs recognised later than they would have been at present.

FIVE YEAR FINANCIAL SUMMARY

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Consolidated statement of profit or loss					
Revenue	1,949,497	1,955,211	1,939,567	1,519,090	1,357,329
Profit before share of profits less losses of associates	202,237	393,830	411,526	482,630	533,961
Share of results of associates	11,115	18,912	10,647	6,817	4,481
Profit before taxation	213,352	412,742	422,173	489,447	538,442
Income tax	12,729	(102,665)	(96,417)	(108,500)	(107,557)
Profit for the year	226,081	310,077	325,756	380,947	430,885
Attributable to:					
Equity shareholders of the Company	131,005	225,345	228,972	268,143	326,231
Non-controlling interests	95,076	84,732	96,784	112,804	104,654
	226,081	310,077	325,756	380,947	430,885
Consolidated statement of financial position					
Investment properties, property, plant and equipment and land	3,992,876	4,136,771	4,162,746	4,241,583	2,084,408
Interest in associates	128,409	145,817	148,588	157,332	164,364
Other non-current assets	17,954	16,352	15,208	4,555	5,294
Current assets	2,356,059	2,360,404	2,223,382	2,095,784	2,310,909
	6,495,298	6,659,344	6,549,924	6,499,254	4,564,975
Share capital	498,305	498,305	498,305	498,305	340,200
Share premium	–	–	–	–	158,105
Other reserves	3,212,202	3,112,686	2,947,474	2,796,949	2,622,173
Non-controlling interests	678,571	659,163	659,661	634,312	602,368
Non-current liabilities	1,621,343	295,024	1,978,404	1,940,463	457,312
Current liabilities	484,877	2,094,166	466,080	629,225	384,817
	6,495,298	6,659,344	6,549,924	6,499,254	4,564,975
Other data					
Basic earnings per share (cents)	38.5	66.2	67.3	78.8	95.9
Dividends per share (cents)	15.0	15.0	15.0	15.0	18.0
Dividend cover (times)	2.6	4.4	4.5	5.3	5.3

SCHEDULE OF PRINCIPAL PROPERTIES

at 31 December 2017

Properties	Group's interest	Type	No. of units	Gross floor area (sq. ft.)	Lease term
Properties classified as investment properties					
Luso International Bank Building 1, 3 and 3A Rua Do Dr. Pedro Jose Lobo, Macau	100%	Office	40	30,264	Short lease
Ocean Plaza, I & II Ocean Gardens, Macau	70.61%	Commercial	47	94,525	Short lease
Ocean Tower Ocean Gardens, Macau	70.61%	Office	19	49,703	Short lease
Ocean Tower Ocean Gardens, Macau	70.61%	Car parks	206	N/A	Short lease
Properties classified as hotel properties					
Sheraton Ottawa Hotel Ottawa, Canada	50%	Hotel	236	193,408	Freehold
Delta Hotels by Marriott Toronto Airport & Conference Centre (formerly known as the "International Plaza Hotel") Toronto, Canada	25%	Hotel	433	450,000	Freehold
Caravelle Hotel Ho Chi Minh City, Vietnam	24.99%	Hotel	335	247,500	Medium lease
Holiday Inn Wuhan Riverside Wuhan, PRC	41.26%	Hotel	315	295,224	Medium lease
Sheraton Saigon Hotel & Towers Ho Chi Minh City, Vietnam	64.12%	Hotel	497	676,500	Medium lease
W San Francisco San Francisco, United States	100%	Hotel	404	289,418	Freehold
Sofitel New York New York, United States	100%	Hotel	398	294,000	Freehold
Best Western Hotel Fino Osaka Shinsaibashi Osaka, Japan	96.46%	Hotel	179	41,709	Freehold
Properties classified as properties held for sale					
Ocean Industrial Centre Phase II Rua dos Pescadores, Macau	100%	Industrial	3	22,921	Short lease
Ocean Park 530 East Coast Road Singapore	100%	Residential	5	10,550	Freehold
Ocean Gardens, Macau	70.61%	Residential	140	389,612	Short lease
Ocean Gardens, Macau	70.61%	Car parks	758	N/A	Short lease
Keck Seng Industrial Building Avenida de Venceslau de Morais, Macau	100%	Car parks	3	N/A	Short lease

SUSTAINABILITY EFFORTS AND AWARDS IN 2017

二零一七年可持續發展工作及獎項

Our Properties 我們集團的物業



Holiday Inn Wuhan Riverside, PRC
中國武漢晴川假日酒店



Best Western Hotel Fino Osaka Shinsaibashi, Japan
日本大阪心齋橋西佳酒店



Sheraton Ottawa Hotel, Canada
加拿大渥太華喜來登酒店



Delta Hotels by Marriott Toronto Airport & Conference
Centre, Canada
加拿大多倫多機場和會議中心德爾塔萬豪酒店

SUSTAINABILITY EFFORTS AND AWARDS IN 2017 (continued)

二零一七年可持續發展工作及獎項(續)

Our Properties 我們集團的物業



Sofitel New York, USA
美國紐約索菲特酒店



W San Francisco, USA
美國三藩市W酒店



Sheraton Saigon Hotel & Towers, Vietnam
越南胡志明市西貢喜來登酒店



Caravelle Hotel, Vietnam
越南胡志明市帆船酒店

SUSTAINABILITY EFFORTS AND AWARDS IN 2017 (continued)

二零一七年可持續發展工作及獎項(續)

Holiday Inn Wuhan Riverside, PRC 中國武漢晴川假日酒店



Han Yang Green Volunteer
漢陽綠色義工隊



2017 Trip Advisor
Certificate of
Excellence
猫途鷹頒發的2017年
卓越獎

Sheraton Ottawa Hotel, Canada 加拿大渥太華喜來登酒店



Heart & Stroke Foundation charity event
參與Heart & Stroke Foundation慈善活動



Sofitel New York, USA 美國紐約索菲特酒店



AIDS Walk New York
紐約愛滋病步行日



Park Clean Up
清潔公園日

SUSTAINABILITY EFFORTS AND AWARDS IN 2017 (continued)

二零一七年可持續發展工作及獎項(續)

W San Francisco, USA 美國三藩市W 酒店



LEED Platinum Certification
LEED白金級認證



Eco Laboratory
自家有機種植香草



Homemade Honey
自家養蜂場

Sheraton Saigon Hotel & Towers, Vietnam 越南胡志明市西貢喜來登酒店



World Blood Donation Days 2017
世界捐血日2017



Visiting the School of Deaf Students
探訪聾人學校

Caravelle Hotel, Vietnam 越南胡志明市西貢帆船酒店



ASEAN Green Hotel Standard 2016-2018
東南亞國家協會頒發的2016-18年度環保酒店獎



Mid-Autumn Charity Visit at Primary School Da Kia C
於中秋節探訪Da Kia C 小學